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*Hon C P McTaggart*

# ROYAL COMMISSION

ON

# TRANSPORTATION

## HEARINGS

HELD AT

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## I N D E X

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NO EXHIBITS IN THIS VOLUME

## E R R A T U M

VOLUME 119, page 19716, first line should read:

"a test of reasonableness other than the test of"







ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held  
in the Court Room, Board of  
Transport Commissioners  
Offices, Ottawa, Ontario, on  
the 17th day of November,  
1960

COMMISSION

Mr. M. A. MacPherson, Q.C.	Chairman
Mr. H. Anscomb	Member
Mr. A. H. Balch	Member
Mr. R. Gobeil	Member
Mr. H. A. Mann	Member
Mr. A. Platt	Member

COMMISSION COUNSEL

Mr. A. G. Cooper, Q.C.  
Mr. G. S. Cumming

Mr. H. W. Ellicott      Adviser

Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary









Ottawa, Ontario,  
Thursday,  
November 17, 1960

---On commencing at 10.00 a.m.

THE CHAIRMAN: Order, please. Mr. Mauro?

ALEXANDER HENDRY HART, resumed

CROSS-EXAMINATION BY MR. MAURO (Cont'd):

Q. Mr. Hart, I thought we would discuss a few of the items covered in the submission of the Canadian National Railways, and at page 9 of the precis you deal with this matter entitled "A Pricing Policy for the Future". Under that general context, I thought I would refer you to some of the recommendations made by the Province of Manitoba and ask you so far as you are able to place before this Commission the viewpoint of the Canadian National Railways on some of those matters.

The first matter is the recommendation of the Province of Manitoba regarding interline rates which appears at page 15664 of the transcript, Volume 92. I will read it to you:

"The government of Manitoba recommends with respect to interline rates as follows:

"Where freight rates are based on mileage they should be based between all stations in Canada on the shortest through rail mileage regardless of whether or not it









1  
2 is necessary in the course of the movement  
3 to transfer the goods from one railway to  
4 another. This recommendation is not an  
5 attempt to preclude the use of station  
6 'groups' or 'key points'. The railways  
7 should continue to be allowed, in fact they  
8 should be encouraged, to name one central  
9 point in an economic area as the rate basing  
10 point and apply that rate to surrounding  
11 stations disregarding minor differences in  
12 mileage. It is our considered opinion that  
13 if this recommendation is implemented, it  
14 would have the effect of firstly, giving  
15 equality of treatment between eastern and  
16 western Canada and secondly, equality of  
17 treatment between those stations which are  
18 located on the lines of a single railway  
19 and those stations which have had the good  
20 fortune to be located on the lines of two or  
21 more railways."

22 What, if any, is the viewpoint of the Canadian National  
23 Railways in this field of interline rates?

24 A. Well, in this field of interline rates,  
25 I think I can say in the first place that I am a bit  
26 afraid of a general approach in that line, Mr. Mauro,  
27 primarily, I think, from a fear of fall off in revenue.

28 It may be said that the railroads -- each of  
29 the railroads, of course, is anxious -- and, speaking  
30 only for our own, we are anxious to get full revenue out







1  
2 of our movements and our property. Our lines were  
3 built to serve the various points at the mileages we  
4 have built, and we will be operating between these points  
5 over this mileage. So, as a result, we would like to  
6 be paid for the mileage over which we would actually  
7 operate.

8 In other words, rather than by means of a  
9 mileage scheme -- a mileage construction scheme as you  
10 design, it could only have the effect of cutting down  
11 mileages between points. Where we are serving point  
12 A and point B, we have a route, a mileage over which  
13 that would operate from point A to point B. The  
14 proposition of Manitoba would have us operate over that  
15 same mileage but be paid for a lesser mileage.

16 Q. You do that in many cases now; do you not?

17 A. In some cases that is right, yes.

18 Q. Perhaps we can at least agree, Mr. Hart,  
19 that the Canadian National Railways would certainly  
20 support any scheme, the object of which was to bring  
21 about equality of treatment?

22 A. As between eastern and western Canada,  
23 that is a generalization, but I think I would agree  
24 with the generalization, yes.

25 Q. Well, is there anything comparable to  
26 CFA -3, for example, in western Canada?

27 It would save some time because I do not mean  
28 to fence with you -- as I understand CFA -3 is  
29 published and operates from the eastern part of the  
30 country and there is nothing comparable to it in







1  
2 western Canada.

3 A. I think that is right, yes.

4 Q. And would the CNR be willing to publish  
5 a tariff operative in western Canada which would have  
6 the same object that CFA-3 had for the shippers in  
7 eastern Canada?

8 A. I think in general we would be quite  
9 prepared to examine that, Mr. Mauro, yes.

10 Q. Now, the next proposition I wish to  
11 discuss with you, as submitted by the Province of  
12 Manitoba, Mr. Hart, is that dealing with the long and  
13 short haul clause that appears on page 15707 of Volume  
14 92, and the recommendation reads:

15 "The province of Manitoba therefore  
16 submits that the present policy is clearly  
17 inequitable in respect to the intermediate  
18 points. It is the position of the province  
19 of Manitoba that this Commission recommend  
20 as follows:

21 Firstly: That the railways should not be  
22 permitted to select the centres which  
23 will be allowed to compete in a given  
24 market.

25 Secondly: When a competitive rate is published  
26 from a more distant point, the intermediate  
27 point, in our case Manitoba, should be  
28 given a rate reflecting its shorter  
29 haul to the same destination, that is a  
30 rate reflecting its geographic location.







1  
2 Thirdly: Normal relations between  
3 shipping points to a given market  
4 should be generally maintained. In  
5 other words, the rate from Winnipeg to  
6 Vancouver should be lower than the  
7 rate from Toronto to Vancouver on the  
8 same commodity. Similarly, the rate  
9 from Winnipeg to Toronto should be lower  
10 than the rate from Vancouver to Toronto  
11 on a given commodity."

12 What is the opinion or position of the CNR on that  
13 recommendation?

14 A. Just at the moment, Mr. Mauro, we are  
15 examining very carefully this proposal, and I will say,  
16 frankly, to me it appears a reasonable one. I say  
17 that against the background that I believe it is our  
18 job to maximize the net of our railroad. And if your  
19 proposition does this, as it appears on the surface to  
20 me so to do, we would be generally in favour of the  
21 theory put forward, if not perhaps in exactly the  
22 same words.

23 Q. You and I can agree that the basis of  
24 the Manitoba proposal was that in addition to being  
25 more equitable, in our opinion, it did tend to  
26 maximize net revenue?

27 A. Yes, that is what you said, and this  
28 is what we are examining.

29 Q. The next item is in conjunction with  
30 lake and rail rates, and our recommendation appears at







page 15747 of the same volume:

"The province of Manitoba therefore recommends:

Firstly: That water carriers be required to apply and show cause for any proposed rate increase, and that in such applications the rates be established on the financial requirements of the water carriers without reference to the rates of other modes of transportation.

Secondly: That the through rate on a shipment carried by more than one type of carrier should reflect the relative rate characteristics of each type of carrier to the extent that each has participated in that movement."

Firstly, I wondered, Mr. Hart, whether you feel that the water carriers should be treated any differently than the rail carriers in this matter of rate increases and the obtaining of rate increases?

A. I see nothing wrong with the present way of operating in this area, Mr. Mauro.

Q. Why do you feel that the railroads should be required as a carrier to come forward and prove a need for the rate increase and that the water carriers should be permitted simply to raise their rates automatically whether they need the increase or not?

A. Well, of course, there is built in to that something that I find a little difficulty in







1  
2 accepting. I do not say that I believe it should be  
3 necessary for the railroads to come forward. My general  
4 thesis is -- my broad general thesis is that we should  
5 be permitted to operate freely.

6 Q. Are you suggesting, Mr. Hart, that this  
7 Commission recommend that in the future the Canadian  
8 railways be not required to come to the Board of  
9 Transport Commissioners for general rate increases?

10 A. I think this would be a good thing, as  
11 I said earlier in my testimony. Perhaps the Canadian  
12 public is not ready for that but I am a great believer  
13 in the operation of the market as a control on all  
14 matters of this sort, subject perhaps to the individual  
15 complaint as in the British scheme.

16 Q. And that, if the Canadian Pacific Railway  
17 or Canadian National Railways were making an amount,  
18 receiving an amount of revenue far in excess of the  
19 permissible level, that this would not be a matter of  
20 concern; that the regulation in effect on the level of  
21 earnings be eliminated?

22 A. I see nothing wrong with that.

23 Q. And this is in line with any other  
24 regulatory situation that you know of in North America,  
25 that the earnings of a monopoly or semi-monopoly company  
26 in the public utility field that there is no control on its  
27 earnings?

28 A. Without fencing with you, there are three  
29 or four words in that that would make it very difficult  
30 for me to do anything but agree with that. However, I







1  
2 cannot accept the question because, in the' first place,  
3 you talk about monopoly and semi-monopoly. I think  
4 that day is gone.

5 But, accepting your question just as it is,  
6 I do not think so. I do not think there is such a  
7 situation, but even if there were I do not think that  
8 means necessarily it would not be right to make such  
9 a change.

10 Q. We will go back over it. Do you know  
11 of any electric power company, any telephone company,  
12 any gas utility that is permitted to earn whatever they  
13 can obtain without any check on its gross or net  
14 revenues?

15 A. No, but they are perhaps much more closely  
16 allied in the area of monopoly of your original question  
17 than I suggest the railroads are.

18 Q. I have listened with interest to these  
19 mental gymnastics on this term "monopoly", but I  
20 suggest to you, Mr. Hart, in the case of gas utilities  
21 that they are as subject to competition from other modes  
22 of heating --- ?

23 A. Substitutional, that is right.

24 Q. And if they get too risque in their  
25 pricing policy, you would have a substitute coming in?

26 A. Yes, sir.

27 Q. And the railways are in a position,  
28 according to you, that the day of monopoly is through  
29 because if they price too high a competitive form  
30 comes in to take over?







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A. That is right.

Q. In the case of a gas utility neither you nor I know of a single instance where the rate is permitted to earn whatever they can get?

A. That is right.

Q. But you suggest in the case of the Canadian railways, this one great principle of regulation, control over the amount of earnings should be eliminated?

A. I say I see nothing wrong with it.

COMMISSIONER BALCH: Mr. Mauro, it is very interesting. Do you subscribe to calling the railroads a public utility? Is it your opinion that it is a public utility?

MR. MAURO: Oh, I definitely do, Mr. Commissioner Balch.

MR. MACDOUGALL: The minority group.

MR. MAURO: Pardon?

MR. MACDOUGALL: You are in the minority group.

MR. FRAWLEY: He has some company. It certainly is a public utility as far as I am concerned.

MR. MAURO: I would like to have a referendum on that.

MR. FRAWLEY: You would be in the minority group, Mr. Macdougall.

THE CHAIRMAN: It is a matter of degree.

MR. MAURO: I do not think there is any question as to whether it is a matter of degree that this is a public utility, Mr. Chairman, with respect.







1  
2 Q. The next matter, Mr. Hart, is the matter  
3 of carload rates and incentive rates, and I take it  
4 from what I can read of the CNR's submission, the CNR  
5 very much supports the use of these techniques in  
6 maximizing the revenues and, in effect, has instituted  
7 a carload rate?

8 A. That is right.

9 Q. And I take it that this policy is to  
10 continue? You found it satisfactory?

11 A. Also conditioned by the thing you said:  
12 if it does maximize our net, yes, we certainly are.

13 Q. Another item in conjunction with rate  
14 groups, the establishment of rate groups, appears at  
15 page 15827 of the transcript:

16 "The Province of Manitoba recommends  
17 that the railways be required to establish  
18 class and mileage commodity rates on the  
19 basis of rate groups, the rates between each  
20 group to be based on the mileages between  
21 'key' points."

22 What is the position of the Canadian National Railways  
23 in respect to this?

24 A. Once again, in general I see nothing  
25 wrong with rate groupings. We have them now, yes.

26 Q. Is there any plan on the part of the  
27 Canadian National Railways to institute rate groups for  
28 the western provinces?

29 A. I know of none at the moment. Actually,  
30 I do not think there have been any suggestions put







forward. We are not examining it at the moment, no.

Q. But you feel there is an area ---?

A. In general, I see nothing wrong with it.

Q. Now, just briefly, at page 11 in your  
precis, Mr. Hart, I notice at the foot of the page you  
have listed the items, the principles, which should  
govern rate regulation:

"(a) the rates in effect should be  
made known to the shipping public;

"(b) the rates should not go below  
variable cost; and

(c) the rates should not be lower  
than necessary to meet competition."

And I put to you a (d) rates should not be discriminatory,  
having regard to the competitive conditions.

A. I do not understand what you mean, Mr.  
Mauro.







1  
2 Q. A matter of discrimination between one  
3 shipper and another?

4 A. In the competitive area?

5 Q. In the competitive area would you be  
6 permitted to grant a rate to one person and ---

7 A. You would have to define what you mean  
8 by "discrimination". By this do you mean unjust  
9 discrimination? I am not certain just what you are  
10 saying.

11 Q. We could go back to this matter of the  
12 railways being permitted by their policy to select  
13 those manufacturers or shippers who are going to be  
14 permitted to compete in a given market by selecting  
15 and granting a rate to one shipper and not to another?

16 A. Well, this may be just a difference in  
17 terminology but I do not see that there is a discrimina-  
18 tion. If there is -- say on the example as I remember  
19 you used it -- if there is say water competition from  
20 Hamilton to Vancouver that there is not from Winnipeg  
21 to Vancouver I do not see there is a discrimination.  
22 So I may say it is perhaps in the railway's interest  
23 to give Winnipeg a related reduction but I do not  
24 see that is a matter of discrimination; I say it is  
25 a matter of maximizing our net position.

26 Q. Now, Mr. Hart, forgetting about water  
27 competition in products moving to Vancouver, the  
28 situation where offshore products manifest themselves  
29 on the Vancouver scene and you grant a rate to the  
30 Toronto manufacturer that will permit him to compete





1  
2 against offshore products in Vancouver and you do not  
3 give the same rate to the Winnipeg manufacturer. Is  
4 that discriminatory or is it not? Nothing to do  
5 with the fact of water competition moving the product  
6 via the Panama Canal. Say Belgian glass goes into the  
7 Vancouver market and you therefore give a rate to an  
8 eastern manufacturer of glass to compete in the  
9 Vancouver market but you do not grant the same rate  
10 to the manufacturer of glass in Winnipeg?

11 A. Is this an example, Mr. Mauro?

12 Q. I understand that there is an example  
13 along the line I suggested but suppose it is completely  
14 hypothetical?

15 A. What sort of rate?

16 Q. An agreed charge -- I do not care what  
17 you would call it but you publish a competitive rate  
18 into the Vancouver market to assist the eastern manu-  
19 facturer to compete with foreign competition?

20 A. I think we would give the same thing,  
21 if circumstances are the same, I would say we would  
22 give the same thing and as a result I say there is  
23 no discrimination. But, if there is a discrimination,  
24 if that is what you are saying, I see nothing wrong  
25 with the railroad giving the same related rate from  
26 Winnipeg as from any other point of origin but when  
27 you have the same situation, the same manufacturer ---

28 Q. The same commodity moving into the same  
29 market?

30 A. Yes.







1  
2 Q. And if you do not give it or the railroad  
3 refuses to give it you agree this would be a discrimina-  
4 tory act?

5 A. Yes, and these are the sort of cases that  
6 I mean when I say individual cases are better to be  
7 dealt with rather than making general rules or general  
8 applications of all rules that all rules must do this  
9 and all rules must do that. Why I like the individual  
10 cases, if the man, as you suggest, taking Winnipeg and  
11 Hamilton, if he has a case he can then make his com-  
12 plaint on an individual basis to the Board or  
13 regulatory tribunal.

14 Q. Why does the individual shipper have to  
15 be put to the expense and trouble of this application,  
16 this conflict with the carrier as to why he has or  
17 has not got this rate instead of enunciating in the  
18 Act clearcut principles as to the granting or not grant-  
19 ing of these rates?

20 A. Well, he should not have to -- I agree  
21 with you. I just say the railroad, in their own good  
22 interests, would provide such a rate situation as you  
23 are putting forward and that that is the best control  
24 there is. However, the minute you put something into  
25 statutory form you start finding difficulties that were  
26 not intended by the people who set up the regulation.  
27 That is why I believe in giving on individual cases a  
28 general power to meet, if you like to use the term,  
29 "discrimination". I have no objection at all. I  
30 just say that the situation should not arise but if it







1  
2 does perhaps this individual type of control that I  
3 suggested giving weight, giving a broad individual  
4 jurisdiction on individual cases ---

5 Q. I suggest in the context of your testi-  
6 money as appears on page 11 where you contend that  
7 in the public interest there are only three items of  
8 regulation which retain in the -- I suggest there  
9 is a real public interest in making sure that we do  
10 have regulations regarding unjust or unfair discrimina-  
11 tion between competitive points between shippers and  
12 that should be an important fourth item in the list  
13 you have submitted?

14 A. Of course, Mr. Mauro, you have four and  
15 I have three.

16 Q. I know you have three and I have four  
17 but I wondered if we both might agree there should be  
18 a fourth?

19 A. No, I do not want to see any more  
20 regulation than as I have outlined it.

21 Q. But you also do not want to see discrimi-  
22 nation?

23 A. No, and I do not think the type of  
24 discrimination you mention will arise.

25 COMMISSIONER MANN: Pardon me for inter-  
26 rupting, Mr. Mauro, but now I am thoroughly confused.  
27 When I look at page 12, and I think you had a dis-  
28 cussion about this with Mr. Cooper, the second full  
29 paragraph starting with "This suggestion would leave  
30 the railways free --" and so on, and I suppose when





1  
2 you say this you do not only refer to what you call  
3 the non-competitive traffic but also the competitive  
4 traffic?

5 THE WITNESS: That is right.

6 COMMISSIONER MANN: And there you say, and  
7 I suppose this refers to the suggestion:

8 "Neither would it affect in any way the  
9 safeguards in the Railway Act which  
10 protect the public from unlawful dis-  
11 criminatory rate practices."

12 Now, Mr. Mauro has asked you whether you should keep  
13 unjust discrimination related to the railway and you  
14 say No, and then when I turn over one page I see  
15 that the safeguards in the Railway Act which deal with  
16 that matter will not be affected and I cannot reconcile  
17 that.

18 THE WITNESS: I am sorry, I obviously have  
19 not made my position clear. I say these things are  
20 not necessary from my point of view, but as our  
21 brief does say, as you very clearly point out, we  
22 are not in a position -- I think they are unnecessary  
23 and I tried to make it very clear in answering Mr.  
24 Cooper that there were certain things, looking at  
25 it from a carrier's point of view, that I felt were  
26 unnecessary, although perhaps in this present point  
27 of time these things were proposed the Canadian  
28 public was not ready for it, but this is our proposi-  
29 tion as expounded in the brief and is quite acceptable  
30 to us.







1  
2 COMMISSIONER MANN: That is saying the public  
3 interest requires at this stage the revision of the  
4 unjust discrimination section of the Railway Act, then  
5 the Canadian National is inferior in this case to the  
6 public?

7 THE WITNESS: It would have to be if our  
8 gathering of what the public is ready for is right.

9 COMMISSIONER MANN: Thank you.

10 MR. MAURO: Q. At page 13 of the precis,  
11 Mr. Hart, there is a paragraph dealing with horizontal  
12 percentage increases and the Canadian National's  
13 future in this problem, which reads in part:

14 "Canadian National believes that  
15 when its competitive pricing program is  
16 fully implemented the need for general  
17 increases in railway rates will be  
18 greatly diminished. Nevertheless some  
19 general increases in all rail rates may  
20 be required in the future to deal with  
21 such matters as particular freight rate  
22 problems arising during the transition  
23 period before the competitive pricing pro-  
24 gram is fully effective, or to meet  
25 general inflationary conditions in the  
26 years to come."

27 Now, as to the implementation of this  
28 future increase, Mr. Hart, has the Canadian National  
29 any recommendations to this Commission on the matter  
30 of horizontal percentage increase?







1  
2           A.    At the present moment we have tried  
3 several schemes to try to work out several things  
4 that perhaps have caused us to examine alternatives.  
5 The two basic things we are working towards, one was  
6 to lower the long haul rates and the other was to  
7 maintain the revenue position of the railway. At the  
8 moment we have not worked out any scheme that does  
9 make this possible and there are several schemes that  
10 have been put forward here both by your clients and by  
11 other people appearing that we have not tested because  
12 we have not the information to test it adequately or  
13 properly. As a result, all I can perhaps say is that  
14 we know what the horizontal increase will do; we are  
15 not terribly happy with it, but we have not found a  
16 suitable alternative as yet.

17           Q.    As a matter of fact, I suggest to you  
18 that regardless of any alternative scheme the experience  
19 of the Canadian National now is that the pricing method  
20 just is not working out?

21           A.    It is perhaps a bit of an overstatement --  
22 let me say it and say it this way -- certain it is that  
23 there is a very strong and vocal group in Canada that  
24 are speaking against the horizontal increase and any  
25 type of pricing that brings that about is worthy of  
26 examination as to its efficacy. I do agree that  
27 certain it is also that a great many people seem to  
28 at least not speak against it, but from the point of  
29 view that there has been a surge over the years of  
30 unhappiness with this type of increase. We are





1  
2 certainly looking for other methods of doing it.

3 Q. As a matter of fact, one of these  
4 people who joined in that vocal group may be the  
5 president of the Canadian National Railways who on  
6 March 29, 1960, appearing before the Commons Sessional  
7 Committee on Railways, Air Lines and Shipping, is  
8 quoted as saying:

9 "Mr. Donald Gordon: . . . As I have stated in  
10 the annual report the increase in our  
11 freight revenues was largely the result of  
12 the freight rate increase authorized by the  
13 Board of Transport Commissioners in December  
14 1958. The effective yield of freight  
15 rate increases is rapidly diminishing, and  
16 any further increases will more and more be  
17 offset by the competitive rate reductions  
18 which we must institute to retain high-rated  
19 traffic."

20 "Mr. Chevrier: In that respect what is the  
21 prospect for the future?

22 "Mr. Gordon: The prospect of getting more money?

23 "Mr. Chevrier: Yes.

24 "Mr. Gordon: I would say it is very poor indeed.

25 I think we have reached the point where any  
26 further attempt to increase freight rates  
27 will have the result of reducing our traffic,  
28 to the point where we are reducing the  
29 attractiveness of the railways as a  
30







1  
2 transportation tool and I think we have  
3 almost reached the point of diminishing  
4 returns. Of course, that is a generalization.  
5 We have undoubtedly reached the danger point."

6 A. That is why we are examining alter-  
7 natives and why we are putting such great hope and faith  
8 in this, what we call competitive pricing.

9 Q. Assuming that you may in the future and  
10 in the very near future require a general increase,  
11 I assume from the comments of Mr. Gordon and yourself  
12 that the Canadian National would support a method that  
13 gives more closely the cost factors involved and distri-  
14 butes more equitably ---

15 A. That may be a bit of a non sequitur  
16 I do not think Mr. Gordon said that and I do not think  
17 I did. I said we are not satisfied with the horizontal  
18 increase method but at the moment we know no better way  
19 of raising revenue. This has nothing to do with the  
20 placing of cost. What I do say is we are working  
21 towards something that will perhaps just effectively  
22 change the rate of taper, not our general rate scheme.

23 Q. And yet maintain a general ---

24 A. No, that is not what I said. At the  
25 moment we see no better way of raising any revenue that  
26 we may be required to raise. In the future we have no  
27 alternative than to carry forward an application for  
28 horizontal increase, reluctantly, but we do not know of  
29 any better method.  
30







1  
2 Q. What was the result of the Manitoba formula  
3 on the revenue of Canadian National?

4 A. We have not made such a test because we  
5 have not the information to make a test and this perhaps  
6 may be only a fear of the unknown but it is an unknown.

7 Q. Mr. Hart, I imagine you heard this week  
8 of the new pricing policies of TCA. Have you read  
9 anything about that or know anything about its new  
10 pricing policies that were started on January 2?

11 A. I read the newspaper and that is all I  
12 know about it.

13 Q. Is it fair to say that the basic  
14 principle in the new pricing policy is that the long  
15 haul will pay less and the short haul will pay a little  
16 more?

17 A. I think that is the way the newspaper  
18 played it. I have not seen the tariffs and I cannot  
19 say any more than that.

20 Q. Did you read any statement of Mr.  
21 McGregor to the effect they had five experts investi-  
22 gating the whole cost field and the real cost was in  
23 the landing and taking off of planes and the paying of  
24 terminal costs for aircraft?

25 A. I did not see the statement but that was  
26 the general theme that I gathered from the newspaper  
27 report.

28 Q. Well, I am quoting from this week's  
29 Time Magazine and if it is an error I am sure we will be  
30 corrected:





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2 "They concluded that since takeoffs  
3 and landings are the most expensive part  
4 of every flight (heavy fuel consumption,  
5 airport fees, ground fees), fares should  
6 not be calculated on a straight price per  
7 mile basis. Instead, statisticians  
8 worked out a new cost curve that drops as  
9 flights get longer."

10 I was wondering whether in your new pricing policy for  
11 the future which you discuss in pages 9 to 13, the  
12 CNR may follow the lead of the subsidiary TCA regarding  
13 this matter of terminal costs vis-a-vis line haul costs?

14 MR. SINCLAIR: We are now up in the air for  
15 sure.

16 THE WITNESS: Certainly the whole examination  
17 of our cost structure both on long and short haul is  
18 under way. Now, to say what -- I cannot compare air  
19 with rail nor am I a cost man.

20 MR. MAURO: Q. What bothers me a little is  
21 that such a completely fair person as yourself veers  
22 away from my statement that under your new pricing  
23 policy you would want it to reflect more equitably the  
24 real cost factors. Now, I say to you that just as  
25 TCA has attempted to do that that the CNR will in  
26 the future tend to introduce price policies that do  
27 reflect more equitably these cost factors.

28 A. I say the reason for the pricing scheme  
29 is to see by which method you can improve your revenues,  
30 the most benefits type of thing and I suspect that is the







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type of thing TCA has found out will improve their revenues the most so it is proper for them to do. If your proposal does maximize the revenue I would be in favour of doing it.

Q. I say to you whether it maximizes your revenue one cent or costs you money, the principle of equity comes before the principle of maximizing revenues. Do you agree that equity comes before your profit, the treatment of people in various parts of this country equally and justly comes before whether or not you can make a little more money by putting a little more on the guy in western Canada? If there is a choice between you making one per cent more and whether or not the shipper in western Canada is treated fairly, surely the Canadian National would give up the one per cent because they want equity of treatment in this country?

A. Our scheme will have the benefit, we hope, of raising revenue where it can be raised, and if we can raise more money in the short haul field this will have the natural result of reducing rates in the long haul field. There still is no revenue problem to be met. Only within that premise can I accept your statement.

Q. So that we are perfectly clear on the record, the Canadian National says that regardless of whether or not inequities exist and continue to exist and become aggravated, we think foremost in the minds of the Canadian National is "How do we maximize our







1  
2 revenues?"

3 A. That is not what I said.

4 Q. Tell me what you said.

5 A. Once again I will say that we believe  
6 the present scheme we are working on will have the  
7 effect of recapturing the traffic for the CNR and  
8 it will raise the revenue for us in fields where we  
9 are not getting sufficient revenue. Now, it will have  
10 the effect of enabling us to change the rate taper on  
11 our long haul with the effect of reducing the burden  
12 on this type of traffic.

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2 Q. And if it could be proven that the  
3 present method is unfair and inequitable, but that if  
4 they reduced their present long haul rates you could  
5 not make up the revenues on your short haul, and then,  
6 as far as you are concerned, you say you are not  
7 interested in removing the inequity because you are  
8 interested in maintaining your revenues.

9 MR. McDONALD: That is not what he said.

10 MR. MAURO: Well, I want to find out what  
11 he said.

12 Q. I am talking about -- and I think it is  
13 important to this Commission that they see where we  
14 stand on the matter -- the principle of equitable  
15 treatment, and whether or not it comes first, or the  
16 revenue position of the CNR comes first. That is the  
17 position, as I see it in a nutshell.

18 A. I certainly say this once again, that  
19 we believe that out of our total pricing scheme it  
20 will have the effect of enabling us to reduce long  
21 haul rates and this will have the effect of reducing  
22 the burden of transportation charges on the long haul  
23 shipper.

24 Q. On page 22 of your precis you are  
25 discussing Canadian National's passenger policy.  
26 Perhaps I could subsequently discuss this with Mr.  
27 Dingle, but I would appreciate your views, which will  
28 be helpful to the Commission. This matter, Mr. Hart:  
29 "Canadian National's objective is to operate  
30 passenger services in those areas where they







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2 can now, or in the reasonably foreseeable  
3 future, meet their costs of operation in a  
4 manner which will engender the goodwill  
5 of the travelling public and encourage  
6 passenger travel."

7 Then you list various items: "To run  
8 passenger trains and provide all auxilliary services  
9 efficiently, courteously, expeditiously and reliably."  
10 Purely from the viewpoint of information, we drew up  
11 a schedule of Canadian Transcontinental passenger  
12 services between The Canadian, which is the first  
13 run CPR train, and the Super-Continental, the CNR,  
14 and the Dominion and the Continental -- the four  
15 transcontinental trains?

16 A. Yes.

17 Q. Regarding Montreal, Winnipeg and  
18 Vancouver, and I will list some of these times to  
19 you, and I wonder if you could give us some of the  
20 background to this situation.

21 The Canadian leaves Montreal at 2:15 p.m.;  
22 the Super-Continental at 5 p.m.; the Dominion at 8:30  
23 p.m., and the Continental at 8:15 p.m.

24 The Canadian arrives in Winnipeg at 10:20;  
25 the Supercontinental at 10:25. The Dominion arrives  
26 at 9:05; the Continental at 7:30.

27 The Canadian leaves Winnipeg at 10:50; the  
28 Super-Continental at 10:55. The Canadian arrives in  
29 Vancouver at 10:00 a.m.; the Super-Continental at  
30 11:45.







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2 The Dominion leaves Winnipeg at 10:05; the  
3 Continental at 9 o'clock. They arrive in Vancouver,  
4 the Dominion at 7:40, the Continental at 7 o'clock.  
5 That is on the westbound operation.

6 Coming east, the Canadian leaves Vancouver  
7 at 7:40 p.m.; the Super-Continental at 6; the Dominion  
8 at 8 p.m.; the Continental at 7:30 p.m. They arrive  
9 in Winnipeg, in the case of Canadian at 10:35; the  
10 Super-Continental at 10:10; the Dominion at 6:25; the  
11 Continental at 7:50.

12 The Canadian arrives in Montreal at 8:40;  
13 the Super-Continental at 8 p.m.; the Dominion at 9:35;  
14 the Continental at 11:20.

15 MR. SINCLAIR: A.M. and The Canadian is P.M.

16 MR. MAURO: Yes, that is right.

17 Q. In light of the very large passenger  
18 deficits that have been experienced by the Canadian  
19 roads and the obvious drop in passenger traffic, I  
20 wonder why this schedule is in operation where within  
21 a period of a few hours there are four transcontinental  
22 trains leaving these various centers in Canada, and  
23 how this ties up with the Canadian National policy of  
24 efficient, expeditious handling of passengers in  
25 Canada -- for my personal information?

26 A. Well, the first thing is, that echoes  
27 what the market wants. There are two or three  
28 different markets you have to consider when you are  
29 talking about the passenger service. Our passenger  
30 service provides basically three things: passenger





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2 transportation, transportation for mail and  
3 transportation for express. Now, there is one factor  
4 that has to be weighed in: effectively we are competing  
5 with the CPR for all these three types of business, and  
6 it is quite understandable and quite to be expected that  
7 we are shooting for certain arrivals and departures  
8 between certain cities. But, forgetting that competitive  
9 side, let me also mention the fact that to a very large  
10 degree in western Canada and to a lesser degree in  
11 eastern Canada we serve different territories. Now,  
12 I will restrict myself again to talk about the passenger  
13 transportation only. In the first place, as you know,  
14 there have been some reductions in passenger train  
15 service just fairly recently -- six weeks ago; and at  
16 the present time the type of service we are running is  
17 that basically we are trying to run one passenger train  
18 -- one transcontinental passenger train -- and one train  
19 to carry the other type of business -- mail and express.  
20 In other words, one and two is the passenger, three  
21 and four -- the Continental -- is, say, the goods train.  
22 In addition to that we are trying to give overnight  
23 service in connection with this transcontinental  
24 service between the points of interest, the points that  
25 have shown the market is active and anxious for this  
26 type of service. To this end -- and my memory will  
27 not let me put the various trains in -- but just dealing  
28 with the Continental, it carries no sleeping car  
29 service at all excepting in three legs: one between  
30 Montreal and North Bay, which has proven to be a pretty







1  
2 good overnight passenger service, so we put sleeping  
3 car service between those points on the Continental,  
4 because it gives an overnight service which it would not  
5 get on the Super-Continental. That train does not carry  
6 sleeping cars again until Saskatoon, and then from  
7 Saskatoon to Edmonton sleeping cars are put on again  
8 from the point of view of providing an overnight service  
9 between those two points. And then, when it gets to  
10 Edmonton, once again the sleeper drops off to run back  
11 the following way; then, into Vancouver out of Kamloops  
12 Junction the same thing is put on. So, at the moment,  
13 under trial albeit, we have what we consider to be an  
14 overnight sleeping car service between all centers that  
15 have shown their interest because I might say these legs  
16 I did not speak of overnight are dealt with overnight by  
17 the Super-Continental. That is the reason why we are  
18 operating sleeping car service on the Transcontinental  
19 line as we are now operating it and, as I say, is under  
20 trial at the moment and we quite probably will have to  
21 make other shifts as time goes on.

22 Q. I certainly appreciate that explanation  
23 because I am sure the Commission is interested in this  
24 particular situation, but your explanation did not touch  
25 upon this matter of the arrivals and departures being  
26 bunched. For example, you are trying to get passengers  
27 on the train, and I am thinking of the Winnipeg passenger  
28 going to Vancouver, and within five minutes he has the  
29 choice of The Canadian or The Super-Continental. And  
30 then there is nothing westbound again of the







1  
2 transcontinental nature until The Dominion' and The  
3 Continental where, within one and a half hours again,  
4 he has a choice of the two.

5           A.    I would say in the first place you have to  
6 remember the geography of western Canada. You have chosen  
7 two points -- Winnipeg and Vancouver. Well, of course,  
8 the markets we are dealing with in addition to that --  
9 and let me say it from our point of view only -- are  
10 Saskatoon-Edmonton, and between them, and further west.  
11 So, effectively, while you have two terminal points the  
12 same you have a good deal of intermediate territory that  
13 is not the same. Those people leaving Winnipeg for  
14 Regina or Saskatoon want the same type of service. I  
15 cannot speak for Regina. Let me restrict myself. We  
16 made a very long and intensive market research study of  
17 the travelling habits of the Canadian population, and to  
18 the best of our knowledge and ability to interpret the  
19 information that we got, this type of overnight service  
20 between Winnipeg and Regina and Winnipeg and Saskatoon  
21 and Saskatoon and Edmonton is an important aspect of our  
22 business, and you must leave those points -- to take  
23 Winnipeg, you must leave at a time that the travelling  
24 public wants it. At the moment we are trying with one  
25 train, basically, plus these legs, to serve not only  
26 the Winnipeg-Vancouver customer but the Winnipeg-  
27 Saskatoon customer and the Winnipeg-Edmonton, and the  
28 Saskatoon-Edmonton, and so forth, ringing all the changes.

29           Q.    Suffice it to say, Mr. Hart, that there  
30 apparently is no area now of investigation taking place





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between the two railways as to the better functioning  
of their transcontinental services?

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A. Oh yes, very definitely. I hope I did  
not give that impression. We have a joint committee,  
and one of the fruits of this joint committee was some  
of the changes that came in on the transcontinental this  
year. Perhaps I have only pointed out the difficulty  
of making specific changes of the sort you mentioned.

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Q. Mr. Hart, on page 55 and following you  
deal with non-rail assets and earnings.

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A. No, I do not; that is not my part of the  
presentation.

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Q. Oh, that was counsel -- well, unless my  
learned friend Mr. McDonald wants to step into the box  
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MR. McDONALD: I will be very glad to argue  
it out with you when the time comes.

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MR. MAURO: Well, right now I am going to cross-  
examine on it.

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THE WITNESS: Cross-examination of me on this  
area is just -- I cannot speak with any authority on  
this at all.

24

MR. MAURO: Well, who can?

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MR. McDONALD: This was prepared by our  
accounting department -- the information in there. The  
principle about whether it should be included or not is  
a matter of argument.

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MR. FRAWLEY: Well, Mr. Chairman, I have some  
questions I intended to ask Mr. Hart -- some broad







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general questions about this, and I am sure he can  
answer my questions.

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THE WITNESS: I am sure I cannot.

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MR. McDONALD: Our Vice-President Comptroller,  
who has already been in the box in connection with Crow's  
Nest grain, is the one who prepared these figures, and  
I did not think there would be any dispute about them.

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THE CHAIRMAN: Well, what are the questions,  
Mr. Mauro?

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MR. MAURO: Q. At page 70, Mr. Hart, the third  
complete paragraph on that page:

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"Section 341 should be amended to allow a  
railway to make an agreement with the trucker  
for carriage over a continuous route by rail  
and truck, including the use of piggyback,  
containers, or specialized combination rail-  
highway vehicles, and divide the earnings of  
the through movement between them on whatever  
basis is agreed upon."

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Would the CNR agree that these through rates  
should reflect the participation of each carrier in the  
movement?

24

A. Are you speaking in divisions?

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Q. Yes, that the rate should reflect ---

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A. I think those divisions would be reached  
in the same way as divisions are reached now -- by  
agreement.

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Q. But I am concerned with what the shipper  
pays, and not with what the railway decides.







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2 A. This does not matter to the shipper --  
3 how the pie is cut up.

4 Q. It matters very much, obviously, and the  
5 concern of the province of Manitoba is the same as it is  
6 with lake and rail rates. We feel the rates should  
7 reflect the characteristics of each of the carriers to  
8 the extent each of the carriers have participated in the  
9 movement. In other words, if there is a rail truck haul,  
10 two-thirds rail and one-third truck, the rate should  
11 reflect this make-up. Similarly, if it is two-thirds  
12 water and one-third rail the rate should reflect the  
13 cost characteristics of the water haul and ---

14 A. The only thing it can reflect is all the  
15 conditions that go into the making of the rate, and  
16 whatever the purposes are of the participating carriers  
17 -- whether one or other can supply the full range of  
18 transportation. If you are suggesting that only the  
19 cost characteristics of each mode be considered, I could  
20 not agree with that, no, because there are a lot of other  
21 things that would have to be weighed in.

22 Q. Certainly those things would be weighed  
23 in the normal construction of rates, but the CNR tells  
24 us at page 74:

25 "Each tool should be used as it is best suited.

26 What is needed, therefore, is an intelligent  
27 recognition of a competitive co-existence and  
28 the development of a co-ordinated rail-highway  
29 system in which each form of transportation  
30 would play the role which it best fits."





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Hart, cr.ex.  
(Mauro)

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A. That is right.

Q. And certainly you would want the shipper to gain?

A. The shipper would gain, yes, but it is just an undue emphasis on "cost characteristic" that I perhaps unwarrantedly deducted in what you said. If that is not in it, I think I agree with you.

--- A short recess ---







1  
2 THE CHAIRMAN: Order, please.

3 I think we had better have Mr. Cumming read  
4 our ruling.

5 MR. CUMMING: Mr. Chairman, this is the  
6 Commission's ruling on the application made yesterday  
7 afternoon by Mr. Fournier.

8 The Commission has given careful consideration  
9 to the application of counsel for the Province of Quebec  
10 to adjourn the date for the hearing of the Quebec brief  
11 from December 7, the date fixed by the Commission's  
12 ruling announced on November 14, to a date in January.

13 As previously declared, the Commission is  
14 governed by the primary consideration that it must  
15 proceed with the utmost despatch in completing its  
16 task. At the same time, it is cognizant of the  
17 difficulties with which counsel for Quebec is faced.  
18 In addition, the Commission has noted that this  
19 application is supported by counsel for the railways  
20 and for Alberta and Manitoba, and it assumes that this  
21 support was extended with an appreciation of the  
22 stringencies of the schedule which the Commission  
23 announced on Monday last. With this in mind, the  
24 Commission has decided to grant an extension of time  
25 and to direct that the submissions of the Province of  
26 Quebec be heard in the period December 13-17. The time  
27 for filing of the Quebec submission is extended to  
28 December 7, 1960. The ruling of November 14 is in all  
29 other respects affirmed.

30 MR. FOURNIER: Sir, I appreciate very much  
that you have been considering this motion; but, again,





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2 with the time that the Commission has granted, it is  
3 extremely short as a human factor of working. In  
4 this ruling that you issued, sir, last Monday, I  
5 read this part:

6 "In addition, and of overriding  
7 importance, the Commission has had regard  
8 to its duty to the government and the  
9 people of Canada, under its terms of  
10 reference, to proceed with despatch and  
11 to report as soon as possible on the  
12 whole problem of transportation . . ."

13 I retain out of this quotation: "regard to its duty  
14 to the government and the people of Canada." The  
15 Province of Quebec, as I said yesterday, sir, is filing  
16 what I would call a basic submission, which we have to  
17 draw very carefully because it will be used for any  
18 future purposes. And, considering that the Commission  
19 will sit in January, from January 4th to January 21st,  
20 and considering, also, that for this session of January  
21 the other provinces and all parties interested will  
22 be present -- and I am sure especially the western  
23 provinces will be present -- I would, again, make this  
24 motion with all due respect, sir, that the submission  
25 of Quebec be heard in January.

26 We have to file the submission with our  
27 government. It is a substantial one, and we think it  
28 is one which will be a most useful one for all parties  
29 concerned -- the railways, the trucking business -- and  
30 we should like to have time to come before our government







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2 to express our opinion and the orientation we have  
3 given to this submission. And they, if they are not  
4 satisfied with it, may wish to change it according  
5 to the government's policy towards transportation.

6 I might add that for two months, and especially  
7 since we came to Ottawa, we have been working sixteen  
8 hours a day and sometimes eighteen hours a day. So,  
9 I would again, sir, like the Commission to entertain a  
10 motion the way it was made so that we may present this  
11 submission in January to the benefit of all parties  
12 concerned. Otherwise, should we present this submission  
13 on the date which has been set, actually to the  
14 exception, I imagine, of the railways, we may be pro-  
15 longed, and the other provinces would not be here to  
16 cross-examine. Our submission, sir, is taken not only  
17 on a regional aspect, I would say, but also on the  
18 Canadian level, and we should like, again, with all  
19 due respect, to have the dates fixed as my learned  
20 confrere and other parties concerned yesterday finally  
21 agreed should be set to January. You may be sure, sir,  
22 that we will do our utmost to shorten the time.

23 Furthermore, we should like to have either the  
24 Minister of Transport or the Premier of Quebec to  
25 present this submission, and for all these purposes we  
26 have to go back to Quebec and work again on it and  
27 submit it to the government -- which I repeat -- and  
28 have the government's consent, because it does not  
29 depend only on the economists and counsel to direct this  
30 submission.





1  
2 Therefore, I would again, in view of this  
3 very nice principle, which is basically a principle of  
4 democracy, and good democracy, and I think it is impor-  
5 tant to the Province of Quebec and to the whole of  
6 Canada that the Commission should have regard to its  
7 duty to the Government and the people of Canada, and  
8 that the submission should not be shortened by time  
9 and necessity but be as complete as possible.

10 Again, and to make the Commission perfectly  
11 impressed, we think that the question of rates properly  
12 is the key point which has been very ably debated  
13 by the other provinces and by the railways. Without  
14 pledging the Government of Quebec to discussing this  
15 matter, I think I can say maybe in the affirmative  
16 that we do not intend to compare this key point with  
17 the result that the submission of Quebec shall be long.  
18 At the very most, it would take a day. It will be  
19 fair for Quebec and fair for all the other parties  
20 concerned. And, therefore, I really request your  
21 Commission to reconsider again the decision this  
22 morning and postpone the date to January. There is  
23 the question, again I repeat, that there is the question  
24 of human feasibility or capacity to work, and we have  
25 been working since a month without going out of our  
26 rooms.

27 I do not sincerely think we can make it  
28 within this time and go to Quebec and submit it to the  
29 Government and then have them change it, if there is  
30 some change to be made, which I imagine there should







1  
2 be if you are to have then the real policy of trans-  
3 portation from the Government of the Province of  
4 Quebec.

5 For this reason, sir, and I appreciate that  
6 you have been considering the motion, I would like your  
7 Commission in view of this very fact to reconsider it.

8 MR. BRAZIER: I was not present at the hearing  
9 yesterday when Mr. Fournier made his motion, but I would  
10 like to advise the Commission that had I been here I  
11 would have joined Mr. Frawley and Mr. Mauro in  
12 supporting Mr. Fournier's application. It has seemed  
13 to me that it is rather refreshing, after being in  
14 the freight rate cases for so many years, to find that  
15 Quebec has finally joined us and is attempting, I know  
16 from my discussion with Mr. Fournier, to make a very  
17 serious contribution to the material to be placed  
18 before this Commission.

19 I think Mr. Chairman and Commissioner Mann  
20 both with their long experience in freight rate matters  
21 know how difficult it is to prepare briefs, particularly  
22 when you have not the background to work from. It  
23 would seem to me -- I know I would like to be present  
24 when the Quebec brief is being presented, and if it  
25 could possibly be worked in to the hearings starting  
26 on January 4th, I support Mr. Fournier's application.

27 MR. MAURO: Simply, Mr. Chairman, without  
28 wanting to extend this argument, but with a sincere  
29 attempt to assist this Commission, because I do not think  
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2 counsel for the provinces or the railways are unmindful  
3 of the requirement that you proceed with despatch; and  
4 we, counsel, perhaps are the great offenders in the  
5 extension of the hearings, but we do so in the sincere  
6 attempt to assist this Commission that they may have  
7 the benefit of all the facts.

8 I wonder, sir, whether the intent of that  
9 ruling could not be met by permitting Mr. Fournier and  
10 the Province of Quebec to be heard on January 4, which  
11 was the date set for the re-commencement of cross-  
12 examination of the cost witnesses of the provinces.  
13 To the extent that Mr. Fournier says that the case will  
14 probably go in in one day, and I hope that counsel,  
15 being mindful of the time factor, would limit their  
16 cross-examination, it would simply mean that whatever  
17 time had been contemplated by the Commission for the  
18 cost evidence of Mr. Banks and Mr. Saunders would be  
19 extended by two or three days in the month of January,  
20 so that your time schedule would not be so completely  
21 extended ---  
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2 THE CHAIRMAN: We are going to finish the  
3 public hearings by January 21st and we are going to  
4 report to parliament and the people of Canada by March  
5 31.

6 MR. FRAWLEY: All I want to say is I am sure  
7 the Commission believe Mr. Fournier implicitly when he  
8 speaks about the amount of work he is doing. I happened  
9 to go to Mr. Fournier's room the other day to get an  
10 exhibit and I found a room filled with typewriters and  
11 papers and people working. This simply means that the  
12 province of Quebec for the first time in these  
13 proceedings and previous proceedings of this kind have  
14 decided to present a submission. You will recall what  
15 Mr. Fournier said yesterday that the province of Quebec  
16 would give up if they did not have time. This seems too  
17 bad. I do support what Mr. Fournier said yesterday  
18 and, for one, would like to be here even though I have  
19 no questions, when they are making their submission. I  
20 do again support Mr. Fournier in his application for an  
21 extension.

22 MR. SINCLAIR: I think the only thing I can  
23 add to what I said yesterday is that I am completely  
24 mindful, very mindful of the limitations that are put  
25 on physical abilities to deal with these questions. I  
26 do not think that the work of the Commission, the  
27 problems they have before them is advanced by putting  
28 upon counsel unreasonable requirements that extend  
29 beyond, far beyond, any reasonable attitude that they  
30 can put in handling their work. Now, Mr. Fournier says





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2 that he has been working extremely hard and I for one  
3 believe him exactly as he has put it to you that the  
4 physical limitations are such that he cannot do what  
5 you are asking him to do. On that basis, and on that  
6 basis alone, I think that his request to this Commission  
7 deserves very serious consideration and I think it would  
8 be too bad if, by the Commission's ruling, that physical  
9 limitations that are put on these people who have  
10 approached this with all the ability they have should  
11 not be given ---

12 THE CHAIRMAN: And cut into your time of  
13 cross-examination?

14 MR. SINCLAIR: Mr. Chairman, if it is  
15 necessary to cut into the time of the railways for  
16 cross-examination then, quite so -- absolutely.

17 MR. McDONALD: Well, Mr. Chairman, I stated  
18 our position yesterday and there has been no change.  
19 I certainly want to hear from the province of Quebec  
20 and Mr. Fournier has stated his position very well. I  
21 do not see why they could not be heard, say, starting  
22 on the fourth of January.

23 MR. HUME: Mr. Chairman, I did not rise to  
24 my feet yesterday because I did not consider it was any  
25 of my concern. However, I take from Mr. Fournier's  
26 questioning so far that his brief will be of great  
27 interest to the trucking industry and I hope things can  
28 be worked out so the brief can be heard. Mr. Fournier  
29 says it will not be ready until January and railway  
30 counsel have indicated they could curtail the time and







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2 I think that the Commission should hear it.

3 THE CHAIRMAN: We will consider the  
4 application.

5 MR. MAURO: Q. At page 72, Mr. Hart,  
6 discussing there this general subject of rate making  
7 freedom, I am particularly interested in this matter of  
8 liberating the carriers of as much regulation as  
9 possible. You state at page 72:

10 "In addition, it is in its own interests to  
11 ensure that the rates are not lower than  
12 necessary to meet the competition. The  
13 presence of these three requirements in the  
14 statute has not caused any extreme difficulty,  
15 nevertheless, it is considered that the  
16 additional detailed information which the  
17 Board may require should be eliminated, leaving  
18 to the Board the discretion as to the amount  
19 of detail it wishes to go into in any particular  
20 investigation."

21 I was wondering if the provisions of section  
22 328 and section 334 of the Railway Act hampered the  
23 CNR and if so in what way?

24 A. Yes, they have, Mr. Mauro. Section 334  
25 is the section that I am primarily interested in and I  
26 can perhaps give you more definite or specific  
27 information on it. As I said yesterday, when the Board  
28 has asked us for information under section 334, I think  
29 invariably they have asked us for all the information  
30 outlined in subsection 2 of section 334. Certain of





1  
2 this information, in some instances, it is just  
3 impossible for us to obtain. Now in such instances,  
4 of course, it is within the Board's power to remove the  
5 requirement but nevertheless it is time consuming for  
6 us to attempt to find out the information so we can say,  
7 if asked, justifiably to the Board that certain  
8 information is not available. I suggested, at least  
9 in some cases, some of the information does not further  
10 in any way what the Board -- any investigation that the  
11 Board may carry out was really in this instance -- what  
12 we are suggesting is that the three major requirements  
13 be left in and that the Board be left a discretion to  
14 investigate which would certainly leave them the right  
15 to ask us any of these specific questions but we would  
16 feel more free in such things as the naming of the  
17 competing carrier or the route they follow, just to  
18 overlook this in the matter of our examination which is  
19 a practical thing, whether such competition is a  
20 practical thing and whether we know, for instance, that  
21 there are trucks operating between points A and B. We  
22 are not by our suggestion here really trying to  
23 circumscribe the Board. We are asking that they ask  
24 us the individual question rather than asking us in  
25 general.

26 Q. At page 73 the recommendation is that  
27 section 328(1) be amended:

28 "... To give the railways freedom to set rates  
29 which must be compensatory and published for  
30 the information of all concerned, without any







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over-riding power of disallowance being vested in the Board, except where a shipper can show that no practical means of transportation other than the railway is available to him."

Is the CNR going to submit a definition of "practical" or what would be the test here?

A. I think this perhaps goes back to this area of sort of, as I tried to define, a functional monopoly. There are two possibilities: the first is a pretty simple one and that is if there is a geographical monopoly that is a simple thing to ascertain but the Board can quickly, by means of an examination of the freight cost factors to keep a man in business, weigh the cost factors inherent in other forms of transportation making it impossible for this particular type of business to work. That would be the type of information that I think they would ask for in this typical case -- in this type of case.

Q. Generally, on some of the matters that have been placed before this Commission, as I understand the submissions from the CNR in regard to commuter services, the CNR accepts the proposition advanced by the province of Manitoba that commuter services should stand on their own feet and should not be a burden on the freight shipper. Is that a correct assessment?

A. It is a correct assessment, yes.

Q. As I read your submission in the field of passenger service generally you adopt the proposal of the province of Manitoba that passenger services that





1  
2 are maintained in the national or public interest  
3 should not be a tax on the freight shipper but should  
4 be a tax on the general revenues.

5 A. Yes.

6 Q. And in the field of branch lines your  
7 national policy line, as contrasted with the Canadian  
8 Pacific position as stated by the executive vice-  
9 president, was to the effect that Canadian Pacific has  
10 no branch lines which, in the opinion of the Canadian  
11 Pacific, are maintained or operated in the national  
12 interest. It is the viewpoint of the Canadian National  
13 that they do have such lines, is that correct?

14 A. Yes, we think that is the case that some  
15 of the lines may well be, even under our proposition,  
16 be found in that category.

17 Q. And these lines, while not compensatory,  
18 must be maintained pursuant to policy.

19 A. Yes, we see the possibility of certain  
20 lines being found, one, to be uneconomical and, two,  
21 that they must be maintained in a broad national  
22 interest. Thirdly, we say whoever requires us to  
23 maintain it should pay us for it as a specific payment  
24 for the operation of the line.

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Q. Has the Canadian National any recommendation as to changes in their accounting or reporting procedure to Parliament or to the people of Canada vis-a-vis their deficit operations? I am here mindful of the recurrent deficits of the Canadian National Railways recently, and I am not clear -- and perhaps I have not studied the brief sufficiently -- but I don't recall reading anything in there as to a recommendation that you change your method of accounting so as to reflect operations presently undertaken at a deficit due to national policy?

13

A. No, there is no proposition of that sort.

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Q. Do you think there is any merit in such a proposal so that it will be placed before the people of Canada annually as a cost to the people of Canada of the operation of these lines which are operated in the national interest or as a result of national policy?

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A. As a matter of answering generally, I think perhaps that is a sound idea. Now, there may be many technical difficulties and perhaps the work and costs involved make this impractical -- I don't know. But, in general, it strikes me as a good idea.

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Q. Mr. Emerson told us in their submission that the Canadian Pacific is contemplating the abandonment of certain lines in the immediate future, and I wondered whether you could tell us in the case of the Canadian National whether there are any lines in contemplation for abandonment -- and I am particularly interested in western Canada?





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2 A. Yes, there are lines under study. Once  
3 again, I am a bit outside my familiar knowledge on  
4 this, but I think there are some under application before  
5 the Board now. This is a fact I am not certain about.  
6 The second thing, yes, is that there are certainly lines  
7 under investigation at the moment.

8 Q. You will recall, perhaps, my examination  
9 of Mr. Emerson regarding discussions with municipal or  
10 community interests that are involved in the possible  
11 abandonment, and Mr. Emerson told me -- and I hope  
12 I do him justice -- that they hadn't nor was it in  
13 contemplation, discussed that with the people concerned.  
14 I notice at page 51 of your submission -- and I take  
15 this to be policy -- that, "Canadian National is anxious  
16 to have the cooperation of provincial and municipal  
17 authorities in dealing with these problems. It is  
18 quite prepared to examine each one in company with  
19 their officials, and also, in western Canada, with  
20 the large grain handling organizations. In fact  
21 a start on such a study has already been made in the  
22 west. Planning might well be done on an area basis  
23 rather than on the basis of individual lines. Success  
24 in such an endeavour, however, will require a clear  
25 legislative directive concerning the rules to be  
26 applied as well as fairness and candor on both sides."

27 This study that is referred to on page 51  
28 is the study that you have referred to -- this is the  
29 study of possible abandonments?

30 MR. McDONALD: I might say this is a subject







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Mr. Dingle is familiar with.

THE WITNESS: In my answer I was talking of some specific line examinations that are going on. I can't really answer in much detail on this broader study.

MR. SINCLAIR: On the basis of what Mr. Emerson said -- it is in the record.

MR. MAURO: Oh, I did not intend to impute anything to Mr. Emerson that he did not say.

Q. Generally speaking, Mr. Hart, on this area of cooperation, the CNR has set up certain study groups with representatives at various government levels to consider the transportation problems of those areas?

A. Yes, this is very true, particularly with your clients, Mr. Mauro.

Q. I understand that a group has been set up in Winnipeg to discuss the problems with particular reference to northern development?

A. To northern development, yes.

Q. Is this a policy that is going to be expanded by the CNR to other provinces in Canada?

A. Yes, we are very anxious to carry out such general examinations.

MR. MAURO: I want to thank you for your responsiveness, Mr. Hart, and also compliment you and the men who have assisted you in the preparation of this precis which I think is an extremely valuable contribution to the work of the Commission.

MR. HART: Thank you.





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2 THE CHAIRMAN: Mr. Frawley, you will probably  
3 be some time.

4 MR. FRAWLEY: Well, certainly considerably  
5 longer ---

6 THE CHAIRMAN: Mr. Wesson from Saskatchewan  
7 is here, and I am wondering if it would inconvenience  
8 the Canadian National and you, Mr. Frawley, to have  
9 Mr. Wesson on at two o'clock.

10 MR. FRAWLEY: Without waiting for Canadian  
11 National, I will say it will not inconvenience me. I  
12 will be quite willing to stand down to my friend from  
13 the Saskatchewan Wheat Pool.

14 MR. McDONALD: It will certainly inconvenience  
15 the Canadian National, Mr. Chairman. We have been  
16 around here with our officers waiting, and the examina-  
17 tion of these officers should be completed. I would  
18 certainly object to that strenuously.

19 MR. FRAWLEY: I really should not have given  
20 my consent. I entirely agree with Mr. McDonald. Mr.  
21 Hart is here and he has other places to go to, and I  
22 should not be so quick. It is all right with me if  
23 the Commission rules that way, but I quite appreciate  
24 what MR. McDonald said.

25 THE CHAIRMAN: Go ahead, Mr. Frawley.

26  
27 CROSS-EXAMINATION BY MR. FRAWLEY:

28 Q. Mr. Hart, I would like to join with those  
29 last words of my friend Mr. Mauro and say I think it is  
30 a very good brief. You will understand any question







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I will direct is merely for the purpose of proving it.

You speak about your competitive pricing on page 7, Mr. Hart, and you speak about it as if it were something new, but are you not doing this now?

A. Yes. There was no intention to indicate this was something new, rather more that it was something we felt we had to intensify.

Q. And I was quite interested in what you said to my friend Mr. Mauro this morning that you expect that intensifying this competitive pricing, which you say is not new, but working at it consistently will tend to ameliorate the inequities on the long haul?

A. Inequities -- it will tend to remove the pressure for rate increases, yes, very definitely, which will have a tendency to remove the pressure to up long haul rates. The more business we can recapture in any area will improve our revenue position and take off any pressures for upward adjustments.

Q. You speak about removing the necessity for increases: you are not referring to general revenue cases there?

A. Yes, there is one place, for instance, yes.

Q. Well, if another general revenue case was forced upon you by another wage award, unless you adopted some alternative to the horizontal percentage increase, the competitive pricing alone would not remove the inequity?

A. Oh, no; very clearly -- always omitting





1  
2 the word "inequity". Certainly at the moment, if we  
3 need to find considerable amounts of money for whatever  
4 reason it may be, competitive pricing is not going to do  
5 it in the immediate future.

6 Q. You are really looking forward to the day  
7 when you think that through an ideally worked out system of  
8 pricing you can take such things as wage increases in  
9 your stride?

10 A. We would hope so.

11 Q. There was just a small matter on page 6  
12 that bothered me a little as I read it. Reading from  
13 a paragraph there:

14 "The rate structure resulting from the  
15 application of the value of service  
16 principle was in existence long enough  
17 to permit the location of production  
18 and distribution centres throughout the  
19 land."

20 Well, now, that process of locating production and dis-  
21 tributing centres throughout the land has not reached  
22 an end by any means?

23 A. Oh, no, far from it. I think the force  
24 at play nowadays -- things that we might not have been  
25 able to do when we were in a monopoly position, have  
26 been done as a result of other forms of transportation  
27 changing the patterns that were set.

28 Q. On page 11 would you tell me what you mean  
29 when you say, "The shipper who has a ready alternative  
30 cannot be expected to wait patiently upon any regulatory







1  
2 formalities which must be satisfied before the railway  
3 can change its rate or service pattern." What are  
4 these regulatory formalities that you are referring to?

5 A. These are the difficulties I discussed  
6 with Mr. Hume yesterday, 334 being one of them, where  
7 we have in every instance to pay attention ---

8 THE CHAIRMAN: We will continue after lunch,  
9 but meantime I want to say that in making a definite  
10 date for our report -- that is, March 31st -- it is  
11 our intent to make a report, and we must have the  
12 cooperation of counsel. We want to get the thing  
13 finished, and we must have the cooperation of counsel  
14 and no frustration.

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16 ---Luncheon adjournment.  
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--- On resuming at 2 p.m.

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THE CHAIRMAN: Order, please. Mr. Cumming?

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MR. CUMMING: Well, Mr. Chairman, in the light of the application that was made in the latter part of this morning, the Commission has this ruling to give:

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The Commission has given further consideration to Mr. Fournier's application for the reconsideration of his motion in the light of the statement of the several counsel who have spoken in support of it. In view of this general agreement, the Commission has decided to accede to this application and accordingly make the following direction:

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The period from January 4, 1961, to January 21, 1961, is allotted for the hearing of the submission on behalf of the province of Quebec, and the cross-examination thereon; for the cross-examination of Mr. Banks and Mr. Saunders, and for the hearing of any rebuttal evidence the railways wish to call on the question of the cost of handling grain.

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In all other respects, the ruling of November 14 is affirmed.

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MR. FOURNIER: Sir, I wish to thank the Commission to have granted this motion. It will be most useful to us, and I am quite sure the Commission at long last will be satisfied, I hope, to hear the expression of the province of Quebec which is, as you know, one of the most important provinces in Canada and







1  
2 is extremely interested in transportation problems, and  
3 has appreciated the capacity, the knowledge, and the  
4 great importance of this Commission. Thank you, Mr.  
5 Chairman.

6  
7 CROSS-EXAMINATION BY MR. FRAWLEY: (resumed)  
8

9 Q. Mr. Hart, we were looking at page 11,  
10 and you had told me that the regulatory formalities  
11 that you were thinking about when you wrote the second  
12 line of the third full paragraph were those matters  
13 covered by section 334, among other things?

14 A. That is right.

15 Q. Well that brings me -- I was not going  
16 to talk to you about that section 334 quite so soon --  
17 but that brings me to section 334. Mr. Hart, nobody  
18 wants less than compensatory rates in Canada; that is  
19 true, is it not?

20 A. Well, certainly I cannot, with deference,  
21 speak quite as broadly, Mr. Frawley. We do not suggest  
22 anything less than compensatory rates.

23 Q. I see. I gather what you may have had  
24 in mind. Less than compensatory rates are not good  
25 for anybody, with the possible exception of the shipper  
26 who happens to be using them?

27 A. With that possible exception. It might  
28 not even be with that exception, in the long run.

29 Q. In Canada, because of section 334, and  
30 perhaps because of repeated protestations of the railways,





1  
2 we are not bothered with this compensatory rate; is  
3 that a fact?

4 A. We are not bothered by compensatory  
5 rates?

6 Q. I say the railways and the people of  
7 Canada?

8 A. I presume that is the case.

9 Q. In the United States, perhaps that is  
10 not quite the fact; is it?

11 A. I do not know.

12 Q. You say no, or you do not know?

13 A. I do not know.

14 Q. Well, I thought it was now a matter of  
15 public record that there are some compensatory rates  
16 -- lettuce moving in southern California is an example  
17 of a rate that is moving at less than variable cost.  
18 If that is so, you would agree with me that we do not  
19 want anything of that kind in Canada?

20 A. That is right.

21 Q. Now, then, do you not think that  
22 section 334 gives the public a feeling of assurance  
23 that we are not going to have non-compensatory rates,  
24 and further that your low competitive rates are  
25 nevertheless compensatory?

26 A. Actually, I may not be following you,  
27 Mr. Frawley, but the proposal of Canadian National is  
28 that that portion of section 334 dealing with rates  
29 being compensatory is one of the portions of the  
30 section that we say should remain.







1  
2 Q. Oh, yes, but you would strike out  
3 everything below sub-paragraph (c) in subsection 2?

4 A. Yes, and replace it with the broad  
5 discretion of the Board to examine any portion that  
6 they felt should be examined. Our feeling is, and it  
7 is mentioned, I think, on page 72: leaving to the  
8 Board the discretion as to the amount of detail it  
9 wishes to go into in any particular investigation.

10 Basically, our difficulty is that we, in  
11 every instance where we have been required -- the  
12 relatively few instances where we have been required  
13 by the Board to meet the conditions of section 334,  
14 we have been asked each of the questions mentioned in  
15 subsection 2.

16 Q. Of course, yes, but I say to you, I  
17 hope not too facetiously, I say that if you were asked  
18 for all of the further information which is listed under  
19 Roman I, II, III, IV, V, VI, VII and VIII, these  
20 particular rates that the Board was looking into must  
21 have been pretty suspect?

22 A. Well, all I can say -- I would not  
23 agree with that. In the first place, I will say this,  
24 however, that in every case they were found to be all  
25 right.

26 Q. Do you think perhaps the Board is,  
27 without giving it too much thought, just turning up  
28 and saying, "Well, see that the Canadian National is  
29 asked for everything that section 334 permits us to  
30 ask for"?





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2 A. I would not try to read what the Board  
3 has in mind. All I can say is the facts are that we  
4 have been requested to supply the information as listed  
5 in section 334 of the Roman numerals which you  
6 mentioned.

7 Q. Mr. Hart, really, now, when you look  
8 at the latter part of the section 334 you will see that  
9 this further information, if the Board in any case  
10 deems it practicable or desirable, it will be asked?

11 A. I said that, very definitely. I see  
12 that, but as a matter of practicalities, what we have  
13 been requested is for these particular things, and as  
14 a result -- if I may repeat -- as a result, we spend  
15 time trying to look for all the information that is there,  
16 because our history, our experience is that these are  
17 the things that are asked. And if you can produce it,  
18 if you are requested, it is a lot better to be able to  
19 produce it. Although, even in the case in our  
20 feeling it would not have any value, it is easier to  
21 produce it, if you can, then give an explanation why  
22 you cannot.

23 Q. We have very, very little legislation  
24 in Canada with respect to minimum rates, and you know  
25 the weakness of it. It has no particular sanction  
26 attached to it. It is just that the Board may ask  
27 for these things.

28 Did it strike you that the first time that  
29 you read it, as it did me, that it is not followed  
30 up, and there is not attached to this section 334 any







1  
2 sanction to say what the Board shall or can ask for.  
3 They just ask you for the information, and it just  
4 seems to trail off without any sanction given to it?

5 A. This is an interpretation of yours,  
6 Mr. Frawley.

7 Q. Would you not think -- where is there  
8 any sanction?

9 A. There is no sanction mentioned in  
10 section 334, as I read it, Mr. Frawley.

11 Q. That is the first thing that struck  
12 me about section 334 when I first read it back in  
13 1951 when it was passed. It is the only minimum  
14 legislation we have in the freight rate structure.  
15 I think we should be slow to give up any part of it.  
16 And I put it to you that what motivates me is the fact  
17 that it gives the public the feeling of assurance that  
18 we are not going to have non-compensatory rates with that  
19 sort of policing power?

20 A. I suggest we are not removing that policing  
21 power in our proposal. We are suggesting that the  
22 Board be basically, -- I suppose it could be said  
23 we are giving the same power, except we are  
24 suggesting they should not be directed into certain  
25 things. These are specifics, rather than general,  
26 in other words.

27 Q. I do not suggest -- even though we are  
28 both lawyers -- that we sit down and re-draft section  
29 334 this afternoon, but you are willing to leave in  
30 subsections 1, 2, 3(a), (b), (c), and probably Roman





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2 V, Roman VIII under subsection (c) -- would that take  
3 care of your complaint -- which gives the Board power  
4 to ask any other information required by the Board  
5 regarding the proposed movement?

6 A. Actually, all that we are providing, in  
7 general, is that subsection 8, which gives you basically  
8 a general power -- actually any of the subsections that  
9 are presently listed could be called in -- that the Board  
10 might ask for similar information under our proposal.

11 Q. Yes, but you are re-drafting, as it  
12 were, tentatively, and in a suggestive kind of way,  
13 you are re-drafting it so that it remains -- where is  
14 your redraft of section 334?

15 MR. MACDOUGALL: Page 73.

16 THE WITNESS: Page 73. Yes, it is a general  
17 recommendation.

18 MR. FRAWLEY: Q. Oh, I see there now. You  
19 have done just what I suggested, without realizing  
20 you had, at page 73. You are quite willing that  
21 Roman VIII in subsection 2C should remain?

22 A. Yes. If you look at page 72, it leads  
23 up into that. That is what I was reading there before.  
24 I thought I brought it to your attention. It is sort  
25 of half way down the page:

26 "The presence of these three requirements  
27 in the statute has not caused any extreme  
28 difficulty, nevertheless, it is considered  
29 that the additional detailed information  
30 which the Board may require should be







1  
2 eliminated, leaving to the Board the discretion  
3 as to the amount of detail it wishes to go  
4 into in any particular investigation".

5 So, I think, by saying that we are suggesting  
6 that subsection 8 covers the field and lets the Board  
7 zero-in on the suspect rather than have them, say, worry  
8 about them all.

9 Q. As a matter of fact, Mr. Hart, even if  
10 section 334 had never been passed at all, the Board  
11 through its proper officers, could at any time before  
12 1951 -- before the section was passed -- could have  
13 asked you for all of that information which section  
14 334 simply spelled out?

15 A. I think that is correct. I am not  
16 certain, but I think it is right, yes.

17 Q. This is hardly evidence, but certainly  
18 it is what the Board's officers told me -- that certainly  
19 it had all that power before -- and I do not know  
20 whether I should say they were pleased or not -- but  
21 they had presented to them a catalogue of things they  
22 could have asked for under the Board's general powers;  
23 and the Board had all that power before the legislation  
24 was passed.

25 All I am concerned about, really, is that we  
26 must not be taking away anything that is at all  
27 important in connection with this whole question of  
28 minimum rates. It is not that I am at the moment  
29 concerned that there are non-compensatory rates in the  
30 Canadian freight rate structure, but you will agree with





1  
2 me that the public must be assured that conditions  
3 will remain?

4 A. This is what we think our proposal  
5 under section 334 does.

6 Q. And if I may say so, it is also important  
7 for the trucking industry, that the trucking industry  
8 can have the assurance of feeling that the competition  
9 of the railways is not going to reach to the extent  
10 that they will put in against them non-compensatory  
11 rates?

12 A. I presume this is so. I had not thought  
13 of it from that point of view, but I cannot see that  
14 there would be anything wrong with your statement.

15 Q. Going back to what I was saying at page  
16 11 and 12, I want to ask you some further questions  
17 about that part of your brief.

18 We have been talking about the competitive  
19 rates, and you have indicated what you think should be  
20 the regulations laid down to guide you with regard to  
21 the making of competitive rates.

22 Well then, passing on to page 12, you say in  
23 the second full paragraph:

24 "In the area of non-competitive traffic, the  
25 railways must not retard new development nor  
26 put rates at a level which will prevent the  
27 movement of traffic. This is not an easy  
28 task and is accompanied by pressure from  
29 all sides seeking concessions. Here, the  
30 trained judgment of competent railway







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2 officers will still have to be relied upon  
3 to ensure just and reasonable rates with the  
4 Board, of course, exercising its jurisdiction  
5 to deal with cases of complaint as required."

6 Now, I want to ask you about two or three  
7 rates, and ask you whether you regard them as being  
8 reasonable, and why?

9 Would you be good enough, Mr. Hart, to look  
10 at a rate or two -- and I am only going to ask you to  
11 look at these rates as illustrative. If you look at  
12 my exhibit 145, revised, and if you would look first  
13 at page 7 of that exhibit, you will find three rates  
14 there that I would like to call to your attention:  
15 agricultural implements from North Portal to Edmonton;  
16 electric ranges from North Portal to Edmonton,  
17 originating in Kentucky; and steel sink cabinets from  
18 North Portal to Edmonton, originating in Ohio.

19 I think you will find, if you look at the  
20 tariff reference in the extreme right hand column,  
21 that those rates are all class rates. I mean, it is  
22 perfectly obvious that the rate on electric ranges is  
23 a class rate. The tariff reference is that Canadian  
24 freight classification 20 and the same goes for steel  
25 sink cabinets?

26 A. Actually, this copy I have here does  
27 not -- I suspect it is not a class rate.

28 Q. It is CPW449-L. It is not printed  
29 there very well, Mr. Hart. I assure you it is a  
30 full class rate. That is a full class rate from North





1  
2 Portal to Edmonton. Whatever it was on the United  
3 States side, it is a full class rate from North Portal  
4 to Edmonton, and the tariff reference is CPW449-L.

5 Taking those three rates, there is only one  
6 more on page 10. There is a group. There is another  
7 group, Mr. Hart, on page 10, at the top of page 10.

8 Radios and T.V. sets from Toronto to Edmonton,  
9 class rate CFC20 space heaters, New Toronto to Edmonton,  
10 class rate CFC20; aluminum gas heaters, Milton to  
11 Edmonton, class rate CFC20.

12 Now, how do you justify, Mr. Hart, putting  
13 farm machinery from United States origins -- the Canadian  
14 portion, because that is not a single factor, joint  
15 through rates; that is a border combination rate.

16 A. I do not know. I am quite happy,  
17 however, to accept your statement, subject to check.

18 Q. I am told it is a border combination  
19 rate with a U.S. factor and Canadian factor, and the  
20 Canadian factor is a full class rate.

21 Well now, presumably -- I put it to you with  
22 your concept of a just and reasonable rate and what  
23 makes a rate just and reasonable, tell me please how  
24 you justify charging the full class rate on farm  
25 machinery from American origins into western Canada?

26 A. Well, as I say, the individual rate,  
27 Mr. Frawley, I am not familiar with. But if we can  
28 discuss it in general, I presume that this rate is  
29 moving the traffic and that it is meeting the  
30 competition, even though it is a class rate; even a







1  
2 class rate can be competitive in that sense.

3 I am having a little difficulty on this  
4 particular one, because I do not know about Edmonton,  
5 I must say, frankly, but I know there have been a  
6 goodly number of adjustments, or, as I understand it  
7 there have been a goodly number of adjustments on  
8 agricultural implements over the last two or three  
9 years into western Canada to meet certain competitive  
10 circumstances. This one -- the only one of the ones  
11 you have mentioned -- I would have thought there were  
12 some other rates.

13 Q. There certainly are not any into Alberta,  
14 and I would be greatly surprised if you made any  
15 adjustment into Saskatchewan destinations and  
16 Manitoba destinations and British Columbia destinations  
17 that were not made applicable to Alberta destinations.  
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A. I might have some information here, I know I have seen something on this relatively recently. Yes, here is something, I am not too certain but there are ~~tractors from~~ Racine, Wisconsin, to Edmonton.

Q. Tractors from Racine to Edmonton?

A. Yes. For instance, these are rather cryptic notes but the rate in effect prior to June 10, 1955, was \$3.23 per 100 pounds; the present rate is \$2.81. The note I have is that this is based on the current truck rate less 10 cents per 100 pounds to offset loading and unloading costs.

Q. What is that you are saying?

A. I say the rate prior to June 10, 1955, was \$3.23 per 100 pounds and the present rate is \$2.81. I have a tariff item here which is CNR tariff No. W-178J, item 1025D. I have agricultural implements other than tractors and my notes are not quite as full on this one but the rates in effect prior to July 10, 1955, other than tractors, was \$3.23 per 100 pounds and the present rate is \$3.18 per 100 pounds.

Q. Well, now, that may or may not be any different from what I am asking you?

A. I am not certain. I just suggest to you these are rates that are put in to meet competition and they are lower than the rates that were in effect in July 1955 so I suspect, as far as we are concerned, certain movements into western Canada on agricultural implements there are rates lower than the class rates.

Q. It is possible the American carrier is







1  
2 making the reduction?

3 A. This may be; I do not know, and I do  
4 not think it matters very much to the shipper in  
5 western Canada who is making a reduction as long as he  
6 is getting the overall transportation charge reduced.

7 Q. It certainly matters to a person who is  
8 critically analysing the Canadian freight rate structure  
9 with respect to reasonableness, and that is my task.  
10 Assuming now that my information is correct and if  
11 it is not that is something else again, but if this is  
12 the full class rate, and I made that note after con-  
13 sultation with the Board's officers so I assume my  
14 information is correct, and at that rate I in fact  
15 give you -- there is a slight correction on the rate  
16 that is shown on my exhibit as \$1.52?

17 A. Yes.

18 Q. I am told now this has been adjusted  
19 as of May 6, 1960, and it is now \$1.49 as a result of  
20 some further application of the government rollback  
21 of 17 per cent to 10 per cent and 8 per cent and so  
22 on?

23 A. It is quite likely.

24 Q. So, it is now \$1.49, that is in relation  
25 to the Canadian share and what I am putting to you,  
26 the Canadian portion of this rate which you say adds  
27 up in toto to \$2.81 from Racine; do you think those  
28 two things are relatable and on tractors to \$2.81, but  
29 \$3.18 to all others?

30 A. Yes, that applies.





1  
2 Q. If that is so you are nevertheless  
3 charging the highest rate, there is nothing higher than  
4 a CFC-20. In other words, it carries this classifica-  
5 tion rate?

6 A. Yes, but if I might say this, Mr. Frawley,  
7 I still feel that to the receiver in western Canada  
8 his interest is in what the measure of the rate is from  
9 origin to destination and if by chance we are, shall  
10 I say, skilful enough to get someone else to accept the  
11 reduction to meet a competitive situation, I really do  
12 not think it matters as long as he is getting rail  
13 transportation at a competitive rate and that is what  
14 I say he has, according to the figures that I have,  
15 however the factors make up.

16 Q. Well, you would like to leave it there  
17 but I, with respect, challenge that most seriously,  
18 because I put it to you that in charging the full class  
19 rate on the farm machinery from the border to Edmonton  
20 you are charging a rate which will not stand the test  
21 of the proper measure of reasonableness. You were  
22 just beginning to tell me that you thought it was  
23 reasonable, when you went off to something else. You  
24 were beginning to tell me it moved traffic?

25 A. Yes, and it is quite conceivable that even  
26 if the movement, and I think I would have to restrict  
27 myself to the fact dealing with your figures here that  
28 specific agricultural implements were produced at North  
29 Portal, Saskatchewan, that, as far as that is concerned,  
30 this rate is moving traffic, one, and, two, is a rate







1  
2 that in general has a general blessing of the Board  
3 of Transport Commissioners.

4 Q. It has had the blessing of the Board  
5 of Transport Commissioners because it has been followed  
6 and no complaint made against it. It has not been  
7 disallowed but you may say that about other class rates  
8 that are filed and working?

9 A. Oh, yes, if what you are saying is these  
10 are class rates, that is right. But, it is quite con-  
11 ceivable, notwithstanding and I think in this case  
12 quite proper to say that this is moving the traffic.

13 Q. It is moving the traffic and you were  
14 going to tell me something about maximizing your  
15 revenue, I suppose?

16 A. Oh, yes, always maximizing our revenue.

17 Q. So it is maximizing your revenue and  
18 moving the traffic, and those are the tests you say  
19 make it reasonable?

20 A. Yes, and anybody who thinks it unreason-  
21 able it is open to them to complain to the Board on  
22 the general circumstances provided in the Railway Act.

23 Q. And what is the Board's test of  
24 reasonableness that it is presently using and has for  
25 many years?

26 A. Well, I suspect whatever the test they  
27 are using that people do not feel these rates violate  
28 the test the Board is using.

29 Q. Which people?

30 A. The people who are shipping the agricultural





1  
2 implements.

3 Q. Let us just put those people aside.  
4 The farmers of western Canada have not filed any com-  
5 plaint with respect to the unreasonableness of the  
6 farm machinery rates into western Canada?

7 A. I was not speaking about you.

8 Q. But I say I am for the Province of  
9 Alberta challenging the reasonableness of charging on  
10 agricultural implements the full class rate from the  
11 border to its western Canadian destination?

12 A. I think our difference is that you are  
13 taking the fact of a through rate and I say that the  
14 price for moving tractors is the price from Racine to  
15 Edmonton, for instance, and those rates have been ad-  
16 justed. I do not think, in my opinion at least, I  
17 do not think it matters to the shipper or the receiver  
18 how these factors are related. You are getting to-  
19 gether, you are making a through rate from point  
20 of origin to point of destination and in this particular  
21 instance there have been adjustments down to meet com-  
22 petitive circumstances.

23 Q. I just question whether or not you are  
24 making a through rate, you are making what could be  
25 colloquially called a through rate, because it is simply  
26 a border combination, it is two rates?

27 A. I think we can fall into a proposition  
28 as I have done calling it a through rate. There is a  
29 charge to move tractors from Racine to Edmonton, there  
30 is a charge that the shipper pays or the receiver pays







1  
2 and that is the cost to him of moving his tractor or  
3 carload of tractors. I am just suggesting again that  
4 I do not think it matters to him how this particular  
5 rate is made up as long as the rate is a fair and  
6 proper rate for the movement and meets the competition.  
7 I say in this instance it is obviously what happened  
8 because there is movement and a fairly good movement of  
9 this particular item from the producing points of  
10 agricultural implements in the United States middle  
11 west to western Canada.

12 Q. That is quite right. Now, I say it  
13 is challengeable before this Commission and that this  
14 Commission, in my respectful submission, has to report  
15 upon the reasonableness and particularly the test of  
16 reasonableness presently in the Canadian freight rate  
17 structure and I put it to you that the test you have  
18 put that you advance you say are satisfactory because  
19 this rate moves traffic and this rate maximizes revenue.  
20 Now, by your own admission, there are no external  
21 tests of reasonableness?

22 A. Well, I have said there is one test of  
23 reasonableness and the test is an application to the  
24 Board and, of course, over all -- on an individual test  
25 it could be made that way and on the overall you have  
26 your maximum rate, the equalized class rate scale.

27 Q. And it is of no concern to you as to  
28 whether or not these rate returns meet a ratio of rate  
29 to out of pocket cost of 400, 300, that you say is of  
30 no concern?





1  
2 A. Oh, of course it is of concern to us  
3 because once again we want to make money out of these  
4 rates.

5 Q. If you make money out of these rates  
6 you are not concerned with how much more than cost you  
7 make out of these rates?

8 A. All this does is go back to the question  
9 of maximizing our revenue. In this instance we found  
10 it necessary because of competitive circumstances to  
11 make adjustments on the rate and this is only an example  
12 of how in this particular area under those particular  
13 circumstances the present freight rate structure works,  
14 that there are outside forces that come in play. The  
15 minute that you find that the rates are beyond a reason-  
16 able level, someone else comes in, your force of  
17 competition comes into play and being a believer in  
18 the market adjustment that is your ultimate control  
19 factor.

20 Q. In other words, if there is a sufficient  
21 demand at these rates to keep the traffic flowing and  
22 if the rates maximize the revenue you say that is --  
23 those are the only tests of reasonableness that should  
24 be applied?

25 A. Yes, and I also say that in this par-  
26 ticular type of movement we are getting a substantial  
27 movement in this type of goods now.

28 Q. All right, you are moving a lot of  
29 rates but you are moving ---

30 MR. MACDOUGALL: Goods.







1  
2 MR. FRAWLEY: Q. They had a rate which  
3 perhaps returns 300 per cent of the variable cost?

4 A. I do not know how much.

5 Q. And if they did, because we have been  
6 refused that information so we do not know, but if they  
7 did then you say that is not a test to apply?

8 A. No, I do not think the cost test is a  
9 test to apply.

10 Q. You say the relationship of rates to costs  
11 is not a test to apply?

12 A. No, it is a test to be taken into con-  
13 sideration when the rate is being made but it is not a  
14 test that I think is an ultimate test towards reasonable-  
15 ness.

16 Q. And the excess revenue, if you will  
17 assume with me, because I do not know and it makes it  
18 very difficult, the average, it is the whole average ---

19 A. I do not know that in this particular  
20 instance.

21 Q. This is the difficulty I foresaw when  
22 we asked to know how much more the cost was and now I have  
23 to take a figure out of the air; it produces 400 per  
24 cent on variable cost. I put it to you that this  
25 is where you get the money to enable you to make  
26 rates for which you have to accept 20 per cent or  
27 25 per cent -- 125% on variable cost?

28 A. The whole fabric of the rate structure  
29 is a parcel contribution that we make on one rate and  
30 the contribution we make on another all adds together





1  
2 into your total gross revenue, and within that you  
3 hope that you are going to keep your enterprise  
4 together.

5 Q. That is right, and you do not regard,  
6 you do not ascribe any particular importance to  
7 the fact that some rates are contributing excessively  
8 400 or 500 times more than the rates at the lower end  
9 of your scale?

10 A. You are using the word "excessively" --  
11 I am not fencing at all, but I am saying that the  
12 present freight rate structure is made by, in general,  
13 sort of a gross subsidization and that has been the  
14 traditional method of freight rate making. Now, for  
15 the future there may be other things and certainly  
16 we have described what we think is going to come  
17 more and more as a result of the force of competition  
18 and examples of the force of competition and how  
19 they apply on your freight rate structure is shown  
20 by this through rate from Racine to Edmonton, for  
21 an example.

22 Q. You see, you say that it is as a result  
23 of the gross subsidization, in other words, it is  
24 a discriminatory pricing system at the moment and  
25 you are aware from the submissions I have made that  
26 I am not quarrelling with that fact that there is  
27 discrimination in the freight rate structure, but I  
28 am quarelling, and very seriously, with the amount of  
29 the discrimination, that there is excessive discrimina-  
30 tion and that is all I was endeavouring to address your







1  
2 mind to at the moment. I put it to you that there  
3 is excessive discrimination demonstrated automatically  
4 when we find that you are insisting upon full class  
5 rates for such an important item in the western economy  
6 as farm machinery.

7 Now, turning to page 10 and the last paragraph,  
8 about the space heaters from New Toronto to Edmonton,  
9 you are asking for the full class rate there. You are  
10 asking for a rate of return of almost  $5\frac{1}{2}$  cents per  
11 ton mile. As a matter of fact, before we leave the  
12 farm implements, you are getting a rate that is almost  
13 hitting  $4\frac{3}{4}$  cents on farm machinery. I am still  
14 looking at page 7.

15 A. I was looking at page 10.

16 Q. I will take you back just for a moment to  
17 the agricultural implements and there you see you are  
18 getting a ton mile earning from that of  $4\frac{3}{4}$  cents;  
19 on the electric ranges, the American electric ranges,  
20 coming into western Canada it is  $6\frac{1}{2}$  cents per ton  
21 mile and a car mile earning of 65 cents.

22 A. These minimums, of course, are low.

23 Q. They may be, but, in any event, you are  
24 asking the full class rate because the demand permits  
25 you to do it. There is no doubt about it, that is  
26 your freight rate structure and if in some fashion  
27 the manufacturer of the electric range in Mayfield,  
28 Conn., sets up his own trucking subsidiary and starts  
29 to send these electric ranges into western Canada on  
30 his own trucks via highway, you people would start





1  
2 quoting a better rate, something better than the  
3 Canadian classification No. 20?

4 A. I have not any detail with me, but that  
5 I say is once again going back to the fact that on your  
6 agricultural implements you are discussing a portion of  
7 the rate and I have been discussing the through rate.  
8 I am saying there has been an adjustment made to the  
9 through rate between, I don't know about electric  
10 ranges but I suspect there is a possibility that the  
11 same thing has happened. The one I do happen to have  
12 information on is that there has been rather significant---

13 Q. I do not know but I am going to assume  
14 because you say you have that information on agricultural  
15 implements I am going to assume you have it on the  
16 electric ranges and steel sink cabinets and from that  
17 rate you are extracting the full class rate?

18 A. We are charging as a portion of the  
19 through rate in these instances that you mention here  
20 according to your tariff references we are charging  
21 the class rate as a proportion of the through charge.

22 Q. And if there has been any reduction in  
23 the charge to meet the competition then the American  
24 carrier is making that reduction?

25 A. I would presume that is the case and I  
26 am rather pleased actually that the contribution has been  
27 made by somebody else in this instance.

28 Q. And when you look at the three commodities  
29 and the three movements at the top of page 10 of my  
30 Exhibit 145, again you are taking on aluminum gas meters







1  
2 which I would think' would be a commodity of some sig-  
3 nificance in Alberta, you are charging the full class  
4 rate and getting 6-3/4 cents per ton mile. Again I  
5 say to you that is excessive discrimination.

6 A. Well, it is the class rate for 20,000  
7 pounds which you know is a low minimum. I do not even  
8 know what aluminum gas meters are and there may be a  
9 goodly number of things wrapped up in this such as the  
10 damage potential and things of that sort that makes  
11 this an extremely low rate.

12 Q. What is this about it being an extremely  
13 low rate?  
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2 A. I say there is a possibility. I don't  
3 know what an aluminum gas meter is or what it looks like,  
4 but a meter, I suspect, is rather damage prone and it  
5 may be because of the very type of thing that it is,  
6 at this weight of 20,000 pounds, that the class rate  
7 is actually a very low rate.

8 Q. Because it is damage prone?

9 A. Just for example.

10 Q. Well, this is a Canadian rate, so the  
11 American factor does not enter into it?

12 A. That is right.

13 Q. I say it is a rate which is the highest  
14 in the book; there is no concession on this rate at  
15 all?

16 A. It is a class rate.

17 Q. I say it is high because the demand  
18 permits you to do it and, that being so, then you say  
19 the only test of reasonableness is that it maximizes  
20 your revenue, the free flow of traffic is there because  
21 the demand is there, and you say that is the only test  
22 of reasonableness?

23 A. I say there seems to creep in occasionally  
24 some sort of epithet that it is a class rate -- a hor-  
25 rible thing. I say in that particular instance, if  
26 a meter is the type of thing that I suspect it might  
27 be, that instead of being an extremely high rate, that  
28 perhaps that is a low rate, that the damage potential  
29 and things of that sort perhaps means this is a rate  
30 that is extremely attractive even though it happens to







1  
2 be a class rate, and perhaps those people who have  
3 complete knowledge of aluminum gas meters consider this  
4 is a low rate.

5 Q. Perhaps you are considering that it is  
6 unfortunate you cannot charge more than the class rate,  
7 and that that is the highest rate you can possibly  
8 charge?

9 A. Yes, that is the highest rate we can  
10 charge, and it may be people who are shipping aluminum  
11 gas meters think they are getting a good bargain at  
12 the class rate.

13 Q. I put it to you you are moving plenty  
14 of things that are as damage prone as an aluminum gas  
15 meter. I don't know whether it is damage prone at all,  
16 but I put it to you you are carrying many commodities  
17 more damage prone than aluminum gas meters and charging  
18 much less than the class rate?

19 A. I don't know, because I was using it  
20 only as an example. I don't know what an aluminum  
21 gas meter is, but of course there is a test I haven't  
22 mentioned, and that is if it is the type of traffic  
23 as you describe it -- extremely high rated -- I suspect  
24 there is something more in it than we have discussed  
25 because evidently the trucks are not carrying it.

26 Q. Well, I don't know. Some day the  
27 trucks will begin to carry it and then the rate will  
28 drop down. But, at the moment you are taking all you  
29 can from that traffic so as to allow you by virtue of  
30 the discriminatory freight rate system you are operating





1  
2 to charge less and to take much less than the high  
3 proportion of cost; you are taking from the meters?

4 A. Yes.

5 Q. And that is the heart of your system?

6 A. Yes.

7 Q. And then you say, let the shipper go to  
8 the Board and have it apply its test of reasonableness  
9 which is, "We will compare it to some other rate of  
10 some similar kind"; that is all they do?

11 A. Yes. The other thing, of course, is  
12 that in the discussion we have had up to now I haven't  
13 any information on this particular one, but maybe there  
14 is no movement and maybe this is a rate that is in  
15 under which no movement is carried out.

16 Q. I have been living for the past ten years  
17 in Ottawa, but I can assure you that we could not run  
18 our gas industry without gas meters. So that, there  
19 are gas meters in the house and in the field and at the  
20 well; there are gas meters all over Alberta. That is  
21 common knowledge.

22 A. Oh, yes; I am not suggesting that. I  
23 am not suggesting that maybe Milton, Ontario, is not  
24 really shipping any gas meters out there. I am not  
25 suggesting there are not lots of gas meters.

26 Q. It is Milton, not Malton.

27 A. I said Milton.

28 Q. Well, I don't think my office in Edmonton  
29 would have given me a rate from Milton if they were  
30 actually moving from Kitchener.







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A. Well, being a class rate it would be there for Milton or anywhere else.

Q. No; I put it to you, and subject to being corrected -- I would like to put it to you that your railway is looking after the demand for gas meters in Alberta with class rates? That is my proposition to you.

A. This may be so. Of course, certainly from the information I have in front of me that is the only one; certainly from there it is class rate, and I have no other information.

Q. If that is so, I say to you that this is an example of excessive discrimination in the freight rate structure because you are exacting from this commodity a rate which by virtue of its relationship to cost is excessive?

A. You are bringing in cost again.

Q. Oh, yes, I certainly am. That is the basis of everything I am asking about.

A. Let me put that aside. I would still like to say that you can't just look at a rate in the abstract and say that it is too high or too low. You must look at the minimum; you must look at the type of traffic it is, and once again, to repeat, it is conceivable in certain of the instances this is, although called a class rate, a good, low rate for this type of traffic. By so saying, I am not making any challenge at the unreasonableness of the class rate





1  
2 system and saying it is too low because we can't charge  
3 more on any given goods. But, in isolation I don't  
4 think you can discuss it and say that this rate is  
5 exorbitant or anything of that sort.

6 Q. I put it to you it is a rate that is  
7 returning to you the funds which allow you to take care of the  
8 rates where you can't charge much more than cost, or  
9 some 20 to 30 per cent over cost?

10 A. If we can go into general again: there  
11 are rates that return more than others and, in balance,  
12 they are all taken together to provide the revenue that  
13 is required.

14 Q. All I am concerned about is that your test  
15 of reasonableness is, one, it is obviously a rate which  
16 does not prevent the free flow of traffic; it is a  
17 rate that maximizes your net revenue, and that makes  
18 it a good rate, and if the shipper feels it is not he  
19 applies to the Board claiming it is not just and  
20 reasonable and the Board will deal with it using the  
21 traditional concepts of reasonableness that the Board  
22 has used for twenty or thirty years?

23 A. This is the situation as it stands.

24 Q. Now, I wasn't too clear about what you  
25 were saying -- I think you discussed it this morning,  
26 but on page 13 you say, "Canadian National believes  
27 that when its competitive pricing programme is  
28 fully implemented the need for general increases in  
29 railway rates will be greatly diminished." I think,  
30 as a matter of fact, you said something to me about it.







1  
2 My question was that you still expect to have wage  
3 increases -- presumably?

4 A. Yes, and I think I made it very clear  
5 that this is as a result of the overall package; this  
6 is the pricing part of our brief. Our general proposi-  
7 tion is that we have made some revenue suggestions and  
8 we have made some expense suggestions, and if all these  
9 are taken together as a package that out of that will  
10 come a healthier railroad economy which will depress  
11 the need for additional rate increases, but at the same  
12 time I think I made it very clear that at the moment  
13 we are not saying that if in the immediate future, for  
14 whatever reason, a large expense item comes up that it  
15 won't be necessary for us to apply for an increase in  
16 freight rates. These things we are talking about lie  
17 further ahead than the immediate future, and the  
18 immediate future is within the next year or two. All  
19 these things have to get into play before the general  
20 statement we make there becomes operative.

21 Q. I want to ask you something of a general  
22 nature about your piggyback operation -- your piggyback  
23 operation of the kind you made available to the for-hire  
24 carrier. I put it to you, Mr. Hart, that your exten-  
25 sion of your piggyback service to the for-hire carriers  
26 -- and I am not objecting that you do it; it is  
27 perfectly all right -- but that it is essentially an  
28 acknowledgement of defeat on your part in connection  
29 with your ability to compete with the trucks: do you  
30 accept my suggestion?





1  
2 A. Well, if I can condition your statement  
3 a little, there is certain traffic that is going to  
4 move by truck. There is certain traffic that is  
5 going to move by truck in the foreseeable future --  
6 always going to move by truck -- and if by means of  
7 an arrangement with the over-the-road carriers we can  
8 share in that, taking into account all the transpor-  
9 tation market necessities in a given area, if we can  
10 share in that traffic by handling their trucks by  
11 piggyback service, I think it is a good thing. I  
12 don't think it is an admission of defeat at all.

13 Q. Now, Mr. Hart, you have the facilities  
14 and you have the unused capacity to move -- am I right --  
15 to move all of the traffic that is offering in Canada  
16 today?

17 A. We could move a lot more than we are  
18 moving now.

19 Q. Just looked at in the abstract and just  
20 theoretically, the trucking operation is not absolutely  
21 needed? There isn't anybody who is going to have his  
22 goods left unmoved anywhere in Canada arising out of  
23 the fact that you can't look after them?

24 A. Any place by rail -- I would have to say  
25 that; I would agree with that.

26 Q. Yes, where your trucks don't run or it  
27 has got to get in?

28 A. Somebody has to bring it in by some  
29 other means.

30 Q. Yes, but assuming the traffic originates







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by rail, and assuming there is traffic in Edmonton that wants to go to Calgary: I put it to you you have the facilities to move it?

A. Yes, sir.

Q. But you don't move it for some reason or other; either by more expert solicitation, or whatever you want to call it, the trucks have got it?

A. Yes.

Q. And I put it to you when you offer your flat car to take that to Calgary or Regina or Winnipeg that you are saying to yourself, "Well, we have lost the rates which the shipper pays, and we will make the best of a bad job and at least move the trailer for him, and we will get something out of it. We will salvage something"?

A. This is basically right, but as long as I am not agreeing with you or saying to you that this is the only step that necessarily we would take to find out. To come back to what I said earlier, there is traffic that will move by truck, by the flexibility and by the loading characteristics and door-to-door delivery and all those sort of things, whatever they may be -- there is traffic that will move by truck. This type of traffic is not open to us at all unless we do it by means of a piggyback arrangement of one sort or another, one of which is the common carrier piggyback we supply.

Q. Why wouldn't it be available to you with your pick-up and delivery service -- pick it up





1  
2 and deliver it by motor truck and carry it on the rails?

3 A. Well, it could be that the transshipment  
4 from truck to rail car, then out of the rail car back  
5 to the truck is wrong for one reason or another: speed,  
6 damage potential, loss -- any one of the things that  
7 might come about. This type of traffic -- and there  
8 is a goodly amount of it -- people are only interested  
9 in shipping by truck. The only way we can get it is  
10 to make a deal of one type of piggyback or another.  
11 I don't say it has to be Plan 1. Plan 1 or Plan 2 is  
12 available to us to try to work in this particular market.

13 Q. I think your piggyback is a very good  
14 thing for the for-hire carriers, but I think it is much  
15 better for them than for the railways. Maybe that is  
16 just the situation that has been brought about.

17 Would you look at page 15, Mr. Hart, your  
18 passenger deficit. That is your 1958 operation, and  
19 Exhibit 182 is your 1959 operation. I am wondering why  
20 you included the revenues and expenses of the C.N.  
21 Express?

22 A. Both the revenue and expenses -- as I said  
23 this morning, on a passenger train you carry express  
24 and mail and passengers, and this service gets the  
25 benefit of the revenues of that and it is charged with  
26 the expenses; that is the only reason.

27 Q. Well, that is sort of quite a sufficient  
28 bookkeeping reason, but if the people of Canada would  
29 like to know what you are making or losing running  
30 passenger trains, this distorts the picture to some







1  
2 extent?

3 A. I don't know whether it does. It might  
4 be extremely difficult -- I would imagine, and once again  
5 I am getting into the statistical area where perhaps I  
6 should not be -- but I imagine because you do carry the  
7 three types of traffic in the same train it becomes  
8 a very difficult thing to say which particular horse-  
9 power is hauling which particular bag of mail or passen-  
10 ger.

11 Q. Well, I suppose it is a matter of words.  
12 What you are really saying is, "We lost nearly \$38  
13 million in 1959 carrying passengers, carrying mail  
14 and carrying express"?

15 A. Yes, that is the best type of information  
16 we are able to produce. We have to look at the service  
17 as we operate it.

18 Q. Do you know how it would affect the  
19 deficit figure if you excluded express, both revenues  
20 and expense?

21 A. No, for this reason, that the splitting  
22 of the expenses of a train into these different cate-  
23 gories is, to the best of my knowledge, impossible in  
24 our type of operation.

25 Q. Mr. Hart, you say that you look upon  
26 your future passenger business with a certain amount of  
27 satisfaction, do you?

28 A. And hope, yes.

29 Q. I find that difficult to understand be-  
30 cause your biggest -- well, I should ask you: is your





1  
2 biggest and most effective competitor of your passenger  
3 trains the air lines?

4 A. No; the private automobile is.

5 Q. The private automobile?

6 A. Yes.

7 Q. And what is the next -- the air line?

8 A. I have forgotten. We have those figures;  
9 I think the air line, then the bus.

10 Q. Then the bus?

11 A. Certainly the private car, and then I have  
12 forgotten; I think the air line is next, with the bus  
13 after that.

14 Q. I don't suppose you have any control over  
15 it, but you certainly have noticed lately the TCA are  
16 very assiduously trying to take your passengers away --  
17 what is left of them?

18 A. They are working on the long haul, yes.

19 Q. And Canadian Pacific Airlines is doing  
20 the same thing?

21 A. Yes.

22 Q. And they have recently announced that they  
23 are going to reduce the long haul rates?

24 A. Yes, sir.

25 Q. Because they think that is the right  
26 thing to do.

27 A. If I remember correctly they are going  
28 to increase their shorter haul rates, and a short haul  
29 to the air line is a considerably lengthy haul for  
30 passenger business on the rails.







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Q. But the people who made up this new schedule of rates -- the economists and statisticians they have used to develop this new programme -- they are deliberately proposing to increase the short haul rates?

A. Yes, sir.

Q. And apparently they are prepared to suffer whatever consequences will attend that increasing of the short haul rates?

A. Yes. From that I take it they have come to the conclusion that their proper place in the transportation field, their proper market is in the long haul.

Q. I put it to you that you should be equally prepared to increase short haul rates so as to ameliorate the position of the long haul shipper -- in your freight -- you should be prepared to reduce the rates to the long haul shipper and to take the consequences?

MR. MACDOUGALL: Is this passenger or freight?

MR. FRAWLEY: Q. Freight.

A. You are making a double relationship there.

THE CHAIRMAN: We will take a break now, but Dr. Gobeil wishes to make a statement.

COMMISSIONER GOBEIL: Mr. Chairman, I have the notes here which mention that our counsel gave a ruling this morning of which I was unaware but with which, however ---

MR. CUMMING: I would like to correct that, Mr.





1  
2 Commissioner Gobeil. I read the Commission's ruling.

3 COMMISSIONER GOBEIL: Well, I don't know  
4 about the legal terminology, but I wasn't aware of it,  
5 and I would like to say that, obviously, I agree three  
6 hundred per cent with the Commission's ruling, but I  
7 would like also to add that I agree so much -- three  
8 hundred per cent, as I say, in view of the fact that  
9 the railways said that if the Province of Quebec  
10 presented their brief on January 4th it will not delay  
11 the final public hearings on January the 21st, and it  
12 is with this understanding that I am so pleased that  
13 the Commission has decided as it has.

14 MR. FOURNIER: Thank you, Mr. Commissioner  
15 Gobeil, and when I expressed my thanks to the Commission,  
16 I think I did forget to express publicly my most  
17 grateful thanks to the learned fellow counsel who have  
18 understood very objectively the application on behalf  
19 of the Province of Quebec and supported it so gener-  
20 ously.

21  
22 ---Short recess.  
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THE CHAIRMAN: Order, please. "

MR. FRAWLEY: Q. Mr. Hart, let us pass on now, and I only have two or three more matters to discuss.

Would you look at page 59, please?

A. This is non-rail assets and earnings?

Q. It is the matter of the Commission's duty and obligation with respect to non-rail assets. I want to say to you -- and, as far as I am concerned, you are perfectly qualified to at least hear my question.

A. I think you have covered my field of competence very well.

Q. The very last sentence there, after telling the Commission -- I suppose this is addressed to the Commission -- after telling the Commission what section 387 says, and then telling what the Board did effective January 1, 1956, then the brief proceeds to make this solemn remark:

"Therefore, there would not appear to be any necessity for the Railway Act to further define non-rail assets and earnings."

You are aware that, of course, an order in council was passed which contained a specific term of reference asking the Board what assets and earnings arising out of the non-rail business of the railways should be taken into account for fixing freight rates?

MR. SINCLAIR: I must object. Mr. Frawley has got "railways" in this question. If he wants to put it "a railway" , fine, but I say that is not what





1  
2 the order in council says.

3 MR. FRAWLEY: I should not have referred  
4 to the Order in Council without having it in front of  
5 me. I should have suspected somebody would have  
6 challenged my interpretation of it.

7 Q. I put it to you, without have the  
8 Order in Council in front of me --

9 MR. SINCLAIR: That does not save you. Get  
10 it in front of you.

11 MR. CUMMING: I am sorry, Mr. Frawley. I  
12 will get one for you.

13 MR. FRAWLEY: I should keep one with me.

14 THE WITNESS: I think perhaps this is a copy,  
15 Mr. Frawley.

16 MR. FRAWLEY: Q. Just reading subparagraph  
17 (d) of the terms of reference.

18 "Whether and to what extent the Railway Act  
19 should specify what assets and earnings of  
20 railway companies in businesses and  
21 investments other than railways should be  
22 taken into account in establishing freight  
23 rates".

24 I put it to you, Mr. Hart, that the Governor  
25 General in Council, having been aware of section 387  
26 of the Railway Act, and having been aware of what the  
27 Board did effective January 1, 1956, in the matter of  
28 the uniform classification of accounts, nevertheless,  
29 when it passed that, when it included that term I  
30 have read in the Order in Council issued to this







1  
2 Commission that the Canadian National Railway nor any  
3 of its splendid officers can say that therefore there  
4 would not appear to be any necessity to further define  
5 non-rail assets and earnings. Do you agree?

6 A. Oh, all I say is that I see what is in  
7 front of me here, and I am not competent to deal with  
8 the questions brought forward here.

9 Q. You are competent, Mr. Hart, to read  
10 subsection (d) in the terms of reference and, then look at  
11 the paragraph on page 59. You are competent to do those  
12 things and say the last sentence in that paragraph is  
13 an unwarranted statement. Would you go that far?

14 A. No.

15 MR. McDONALD: No.

16 MR. FRAWLEY: Q. Well, whether you would  
17 agree with me or not, you will forgive me for putting  
18 it to you that it is a completely unwarranted statement,  
19 and that the Board whether it wants to or not has got  
20 to deal with subparagraph (d) in its report to the  
21 Governor General in Council.

22 Would you now turn to page 75, Mr. Hart.  
23 Of course, you have to go back to the bottom of page  
24 74 to get the meaning of the sentence on the top of  
25 page 75, but the effect of what you are saying is that  
26 the railways, the carriers, forego the traffic  
27 altogether where an agreed charge cannot be made,  
28 and where normal rate making procedures would require  
29 the application of the one and one third rule. That  
30 is a fair enough paraphrase of what you are saying?





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A. Yes.

Q. Would you be good enough to give me the instances -- now, or later if you want -- the instances where the carriers were required to decide to forego the traffic altogether?

A. I can get that, Mr. Frawley.

MR. McDONALD: We will give you a list of those.

MR. FRAWLEY: Do not give me Mr. McCoy's exhibit used in the first Turgeon Commission. Give me something more recent than that.

Q. Would you look at page 62, Mr. Hart?

A. Yes.

Q. Now, Mr. Hart you there say, on page 62, that you want some change made in section 53 of the Railway Act?

A. Well, once again, I am not dealing with this section, Mr. Frawley.

Q. Well now, Mr. Hart, who better than you could deal with it?

A. A great many people, and actually we have listed --

Q. What does the score sheet say? Oh, well, I would like to get some views of Mr. Hart on this.

Mr. Hart, what your brief says is that if an applicant or a party or litigant before the Board of Transport Commissioners, being dissatisfied with some decision of the Board, decides to make some appeal







1  
2 in an endeavour to do something about it in another  
3 forum, that if he has a point of law and decides to go  
4 to the Supreme Court, that ~~sho~~ould terminate the  
5 proceedings. That is the effect of it?

6 A. That is as I read it.

7 Q. But if he decides to not pursue a point  
8 of law -- whether he has to pursue it with the Board  
9 on the facts, having made a wrong finding -- then he  
10 may pursue his appeal to the Governor General in Council  
11 but there would be that limit. Only in the instance  
12 I have given would he be allowed to go to the Governor  
13 General in Council?

14 A. Mr. Frawley, I am outside of the field  
15 in which I feel competent to speak.

16 Q. Because the Supreme Court has passed  
17 on something which would be as a matter of law, then  
18 the Governor General in Council should have no power  
19 to deal with that decision or matter? That is what  
20 you say?

21 A. That is what this reads, yes.

22 Q. Mr. Hart, you know perfectly well under  
23 the British constitutional system parliament is  
24 supreme?

25 A. Oh, yes. Yes.

26 Q. You know that?

27 A. Yes. I'm sorry; I thought you were  
28 going on, Mr. Frawley.

29 Q. Well, I mean, I was going to say you,  
30 like I, have read Dicey. You know what the fundamental





1  
2 rules are with respect to the supremacy of parliament  
3 under the British system?

4 A. Yes.

5 Q. Parliament is supreme over the courts;  
6 are they not?

7 A. Yes.

8 Q. Can you tell me any reason why you should  
9 shackle parliament, or parliament should shackle itself  
10 -- incidentally, you are not accomplishing very much;  
11 parliament might set up this scheme in pursuance of your  
12 suggestion and than take it out.

13 A. I think I have to bow out, Mr. Frawley,  
14 now. All I can say is I was not dealing with it and  
15 I do not feel competent to speak for the company on  
16 this matter at all.

17 Q. Oh, I must not pursue you about it,  
18 Mr. Hart. I could ask a lot of rhetorical questions  
19 just for the sake of the questions, but that would not  
20 be perhaps proper.

21 With all due respect to my friends Mr.  
22 McDonald and Mr. Macdougall, it is not satisfactory  
23 to have Mr. McDonald and Mr. Macdougall take the brief  
24 and then put certain notations against it which indicates  
25 they are going to discuss it in argument. But, having  
26 done that we will have to accept that, that is all.

27 MR. MACDOUGALL: What facts would you like  
28 put on the record?

29 MR. FRAWLEY: It is not a matter of fact;  
30 it is a matter of opinion. It is a matter of what Mr.







1  
2 Hart, who was for many years Commission Counsel for  
3 this railway, and whose opinion in these matters I  
4 have a great deal of respect for -- it is a matter  
5 of what Mr. Hart's opinion is. Of course, if Mr.  
6 Hart is either hobbled or has hobbled himself so that  
7 he is not free to discuss with me, we will have to let  
8 it go. But -- after all, this is one of the corner  
9 stones of the Railway Act of Canada and one which the  
10 provinces will most vigorously oppose any change in,  
11 as we have for years.

12 THE CHAIRMAN: This can be dealt with in  
13 argument.

14 MR. FRAWLEY: I suppose it can be dealt with  
15 in argument, but it would have been useful to have  
16 drawn out Mr. Hart as to the effect --

17 MR. MACDOUGALL: I think, Mr. Chairman, it  
18 is only reasonable for me to say here that the railways  
19 would have given the facts on this without having this  
20 difficulty. We will deal with it in argument, as Mr.  
21 Frawley knows. I think it is quite proper that it  
22 should have been included in this submission to give  
23 our views in general. You see, the matter is not  
24 detailed in fact, it is just stated. It will be dealt  
25 with fully in argument.

26 MR. SINCLAIR: Canadian Pacific have made  
27 no submission on it with regard to any evidence. Our  
28 position is very clear. We think the section in its  
29 entirety should be revised.

30 THE CHAIRMAN: We have understood that.





1  
2 MR. FRAWLEY: We have understood that for  
3 years. I do not know what facts you are talking about,  
4 Mr. Macdougall.

5 MR. MACDOUGALL: I just asked whether you  
6 would like some facts put on the record.

7 MR. SINCLAIR: Of course, we would not equate  
8 the Canadian Privy Council and parliament.

9 MR. MACDOUGALL: That is quite right.

10 MR. FRAWLEY: You do not equate them. But,  
11 for what it is worth, I do equate them.

12 MR. SINCLAIR: Neither does Mr. Dicey.

13 MR. FRAWLEY: The Governor General in Council  
14 does, who is the voice of parliament as far as this is  
15 concerned.

16 Thank you very much, Mr. Hart.

17 I have one question for Mr. Dingle, but I  
18 suppose we had better wait and dispose of Mr. Hart  
19 first.

20  
21 CROSS-EXAMINATION BY MR. FOURNIER:

22  
23 Q. Mr. Hart, I presume that you are  
24 responsible for the submission here?

25 A. I think, in general. I am speaking  
26 only to the portions, Mr. Fournier, that are enumerated  
27 but I am speaking on behalf of the company.

28 Q. I just want to congratulate you. It is  
29 very clear -- and I do not say this in a joking way:  
30 I would call it blunt in the good sense of the word.







1  
2 It is clear, and you expose everything you wanted  
3 very clearly, although one may not agree altogether  
4 with all your suggestions.

5 Would you tell me, Mr. Hart, or to the  
6 Commission, if the piggyback operation in the province  
7 of Quebec is a rather important one?

8 A. Yes, we have --

9 Q. I mean, is it an important operation?

10 A. We have important piggyback operations  
11 in the province of Quebec.

12 Q. In the province of Quebec?

13 A. Yes.

14 Q. And between Quebec -- with short haul --  
15 and in between Quebec and Montreal, for instance?

16 A. Yes.

17 Q. Not only through Quebec and, say, from  
18 Montreal to the Maritimes?

19 A. No. There are operations within the  
20 province of Quebec only.

21 Q. Could you elaborate on that and tell  
22 me which are the main operations of piggyback in the  
23 province of Quebec?

24 A. We could provide that information, if  
25 you would like that, Mr. Fournier.

26 We have operations between Montreal, Quebec;  
27 we have operations from St. John, Quebec, Shawinigan,  
28 Sherbrooke. We have those ones anyway, and I am  
29 not certain of any others. I think there may be some  
30 more, but we can give you a total breakdown, rather





1  
2 than sort of depending on my memory.

3 Q. There is a point which I would like to  
4 know very much. Let us say, for instance, that if a  
5 van got on a platform at 4 o'clock in the afternoon  
6 what time would it get to Quebec? Would it get there  
7 the same day? Within 24 hours?

8 A. Piggyback?

9 Q. Yes. I am trying to find out?

10 A. I'm sorry -- from Montreal to Quebec?

11 Q. Yes, let's say Montreal to Quebec.

12 A. I think we are giving an overnight  
13 service there. I have forgotten the exact cut-off time  
14 and delivery time, but it is an overnight service.

15 Q. I am trying to find out if the piggyback  
16 service may be as effective as to delivery?

17 A. I think it is extremely effective.

18 Q. As compared to the trucking business?

19 A. As compared to the trucking business.  
20 It would be hard for me to draw the comparability  
21 between it and highway service, because it is an  
22 overnight service basically started in Montreal --  
23 picked up in Montreal towards the end of the day and  
24 delivered early the following morning. I think this  
25 is the type of service that the shippers in the area  
26 want. This is our understanding of what they want,  
27 and this is why we are operating the service the way  
28 it is now.

29 Q. Is it mostly used during the bad  
30 weather? I mean, during the winter?







1  
2 A. No, it is used right now, Mr. Fournier.  
3 I cannot sort of draw you a pattern of use. I suppose  
4 that it would sort of -- in logic, it might well be  
5 used more during bad weather than in the good weather,  
6 but it is certainly being used now and has been used  
7 during the good weather as well.

8 Q. Is your service so arranged that the  
9 number of trucks that would require piggyback service  
10 for one day, say, that you would be capable to carry  
11 all these at the same time?

12 I mean, and I would like to make myself  
13 clear, let us say that you have 50 trucks and that  
14 generally you carry 25. If all at once you have 50 --  
15 or, let us say 100 -- at 4 o'clock, or at any time  
16 during the day, is your service so arranged that you  
17 would be able to bring those trucks to their  
18 destination within the same night? I am speaking  
19 about, let us say, Quebec from Montreal?

20 A. Well, so far we have -- I know we have  
21 had no difficulties or, to the best of my knowledge,  
22 I should say, we have had no difficulties in supplying  
23 the equipment that was required for that movement.  
24 Of course, if it is, in the normal area, handling  
25 of the order of 25 trucks, and suddenly it is  
26 delivered that people want to move 200 trucks, I  
27 expect we would not have the equipment available.  
28 There is a cushion built in so we are able to take  
29 care of the normal fluctuation, but if there is a sudden  
30 sporadic thing, we probably could not.





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Q. To give precedence on trucks owned,  
let us say, by Smith Transport, or an independent  
trucker, or if he would have his turn as soon as he  
arrived. This is an important point.







1  
2 A. We would like to get a lot of Smith  
3 Transport business but I do not think we are getting  
4 much of that now.

5 Q. That is CPR, that is right. Let us say  
6 if it was one of your companies?

7 A. There would be no difference, we would  
8 supply service as people applied for service, it is  
9 just a matter of the first in.

10 Q. Immaterial who owns that truck?

11 A. That is right.

12 Q. At page 18669, Volume 112, a letter of  
13 information was filed and you know about that letter.  
14 I want to be sure. The letter of information was filed  
15 by Mr. Dingle as to the ownership of various trucking  
16 companies?

17 A. Yes, I do remember. I did not have  
18 much to do with it but I remember it.

19 Q. Without giving us figures will you  
20 tell me if the operation of these trucking companies  
21 since the CNR has owned them, has it been profitable?

22 A. I could not answer that.

23 MR. McDONALD: Mr. Chairman, I have not got  
24 that information here at the present time. Some of  
25 these companies, as you know, have been acquired during  
26 the last year and they have to be operated for some  
27 time to know whether or not they are profitable. We  
28 will have annual statements at the end of the year but  
29 we have not had a year to get that as yet.

30 MR. FOURNIER: I am not speaking about





1  
2 those recently acquired but about Canadian National  
3 Transport.

4 MR. McDONALD: The revenues of that go into  
5 the Canadian National Railways, we do not keep a  
6 separate set of books.

7 MR. FOURNIER: Would it mean that your company  
8 does not know what the gross income is, and the net  
9 income of Canadian National Transport?

10 MR. McDONALD: You are quite right. This is  
11 just treated as an arm of the railway with no separate  
12 account.

13 MR. FOURNIER: You are in the process of  
14 acquiring quite a great number of trucking companies  
15 and in view of what Mr. McDonald said you do not have  
16 a separate account, but can you say in the future that  
17 your company intends to have a separate account for the  
18 income of the highway carrier and the income of the  
19 railway?

20 MR. McDONALD: Yes.

21 MR. FOURNIER: Q. You said somewhere -- I  
22 do not want to refer you to the page but you said  
23 somewhere that you do not want to get the independent  
24 trucker off the road, that you want to cooperate with  
25 him. It seems to me you are proceeding to acquire as  
26 much as possible and this is the actual planning of your  
27 company, you are acquiring as much as possible of the  
28 trucking business?

29 A. I do not think it is as much as possible.  
30 I am quite certain I did not say this.







1  
2 Q. I did not say you said it, I am just  
3 asking a question.

4 A. Certainly not, not as much as possible.  
5 What we are trying to do is to have another arm to  
6 fill our wares out so we will be able to offer the  
7 shipping public of Canada a variety of modes of  
8 transportation whether it be by combined highway-rail,  
9 whether it by rail all the way or by highway all the  
10 way, but a coordinated service or separate service.

11 Q. Coming to the evidence, almost all the  
12 roads that have been bought by either your company or  
13 by the Canadian Pacific are parallel to the rail?

14 A. Yes, in instances that is so.

15 Q. When I say parallel I mean parallel  
16 within a distance of, let us say, a distance of twenty  
17 miles?

18 A. Oh, I could not answer that. I would  
19 doubt that as far as we are concerned but it would be  
20 just a matter of doubt, not of knowledge. I do not  
21 think it is the case.

22 Q. I understand that the Canadian Pacific  
23 and Canadian National are ---

24 A. The CPR's main points operate in general  
25 a good deal south of our main line; the geography of  
26 the two companies are different. We are the northern  
27 line and the CPR are the southern line and I think  
28 the trans-Canada highway, of course, at a good many  
29 points is a good deal closer to the Canadian Pacific  
30 than to the Canadian National line. That is just from





1  
2 looking out train windows and seeing it.

3 Q. My definition of parallel here is  
4 a highway that is within twenty miles of a branch  
5 line owned, for instance, by Canadian National and  
6 you have a route along that branch line within 25  
7 miles, at least, coming from the same point, from A  
8 to B?

9 A. In some instances, there is no doubt.  
10 It was the broad generality of your statement I was  
11 drawing attention to. There are certain portions of  
12 our line that are not within a good long distance of  
13 an effective highway and certain other areas in southern  
14 Ontario, Ontario and Quebec and in the west certainly  
15 there would be lines parallel to the highway operations  
16 that we now own.

17 Q. Your lines are going from the same point  
18 of departure to the same point of arrival?

19 A. Oh, yes, that is true.

20 Q. Whether they are parallel in the sense  
21 I mean, within twenty miles?

22 A. That is why I said earlier, parallel in  
23 point of service but not in geography.

24 Q. Do you not think, after this has been said,  
25 that it is dangerous that by operating both the highway  
26 and rail that it is dangerous that you would, speaking  
27 about Canadian National, that you would protect the  
28 income of the rail to the detriment of the road?

29 A. No, I do not think so at all.

30 Q. Between, of course, the same destination







1  
2 and origin?

3 A. Because competition is very new and  
4 what we want to do is if people want to ship between  
5 area A to B by truck and we have not been able to move  
6 that traffic by rail, we want to be able to offer  
7 these people from A to B a service.

8 Q. But in view of your proposed legislation  
9 you would have the right to divert traffic which would  
10 be to the CNR, let us say, a commodity which could go  
11 either by rail or truck; you would have the right in  
12 your actual legislation to decide by yourself whether  
13 you are using a truck or the rail to take this mer-  
14 chandise to its destination?

15 A. Well, I do not quite understand your  
16 reference to legislation.

17 MR. MACDOUGALL: What legislation are you  
18 referring to?

19 MR. FOURNIER: Q. Are you not asking in  
20 your legislation the right to transfer merchandise  
21 from one to the other?

22 A. I think that is the joint rate section  
23 which all we are saying in general is that we would  
24 like to be able to hook up end to end, that the truck  
25 bring in the merchandise to a railhead and then move  
26 on by rail to a point of delivery. We would be able  
27 to enter into such an arrangement to have a through  
28 service in a division. This is not intended to enable  
29 us to divert or anything of the sort.

30 Q. At page 40 of your submission I am not





1  
2 clear here -- at the end of page 39:

3 "On April 1, 1959, Canadian National estab-  
4 lished a new department known as ~~Merchandise~~  
5 Services for the purpose of making the most  
6 efficient use of the various forms of  
7 rail and highway transport which are, or  
8 will be, available to the railway for the  
9 handling of non-carload freight and express  
10 traffic."

11 You mean it would be the same merchandise services  
12 that would operate with the highway, I mean, would  
13 operate your highway and also your rail?

14 A. Actually what is being talked about here,  
15 and this once again may be of some help to you but it  
16 is not part of my brief, but what is being talked about  
17 here is our present Merchandise Service group which has  
18 nothing to do with the highway operations that we have  
19 bought and have been discussing. This is purely our  
20 present rail set-up.

21 Q. Would your answer mean you have two  
22 separate services, one for highway and one for rail?

23 A. That is the situation now.

24 Q. Do you intend to make one out of them?

25 A. There will be some coordination in  
26 ultimate, Mr. Fournier, but we are pretty new at the  
27 business now.

28 Q. I gather from your submission that you  
29 want freedom in rate making and freedom to abandon  
30 any traffic which you wish?







1  
2 A. Not that we wish.

3 Q. With some less rigid form of proceeding  
4 as far as Crow's Nest rates are concerned. Crow's  
5 Nest rates, your company also wish to obtain some  
6 subsidy on that?

7 A. Yes.

8 Q. That is the main object as a whole,  
9 without trying to do everything, that is the main thing  
10 in the whole?

11 A. That is a broad way of putting it. I  
12 would say so far as branch lines are concerned, such  
13 lines as are not economic we would want to abandon  
14 and if they are maintained in the public interest we  
15 should be paid for running them.

16 Q. I think, for the rest, it is pretty  
17 well gathered in our previous examination, and I thank  
18 you very much.

19  
20 BY COMMISSIONER BALCH:

21 Q. I just have two small questions. On  
22 page 11 in the third paragraph you say:

23 "Many of the requirements of regulation  
24 that are harmless enough in the non-com-  
25 petitive field become in varying degree  
26 a nuisance and a burden in the battle for  
27 competitive traffic."

28 Can you say that in some instances applications intended  
29 to protect the shipper have the benefit of protecting  
30 the railway's competitors? Could you cite an instance





1  
2 or instances where this has happened?

3 A. Well, in general anything that delays  
4 us from -- for instance, restrict improvements to  
5 rate business, anything that restricts us from quoting  
6 a rate as quickly as any one of our competitors. It  
7 does not really work to the advantage of the shipper,  
8 it works to the advantage of the competitor. It is  
9 a matter of the delays inherent in the situation  
10 working not to any real advantage to the shipper, just  
11 to the advantage of the competitor.

12 Q. Another one that is new to me:

13 "On the other hand, the passenger train  
14 service is a by-product service and of  
15 an incremental nature."

16 Now, was it considered so before the advent of com-  
17 petition of aircraft and passenger cars?

18 A. Oh, yes, I think so.

19 Q. It always has been?

20 A. I must admit that is something new to  
21 reach back there but I think the railroads were basically  
22 built always from the point of view of moving freight  
23 and that the passenger business came along as a  
24 rather nice but secondary matter.

25 COMMISSIONER BALCH: That is all, thank you.

26  
27 BY COMMISSIONER GOBEIL:

28 Q. Mr. Hart, in your brief on the passenger  
29 traffic at page 17 you mention in the first paragraph --  
30 it is very long but somewhere towards the end you mention:







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What would that minimum service be?

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A. Well, it could amount to a lot of different things depending on the circumstances. It might, as far as you are giving service every day, you might give the service three days a week or ultimately one day a week. The other sort of thing is instead of having a conventional train on you may have a rail diesel train on. You might, instead of running a separate train for passengers, you might run a mixed train which would operate for both freight and passengers. All these types of things are available to us to lower the standard of service.

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Q. Could it be the type of service -- this is a long time ago because, you see, you publicized TCA so much that I do not travel by train any more ---

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23

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26

A. I do not publicize TCA.

27

28

29

Q. Would it be the type of train where wherever you went there is a spittoon and everybody smoking, a very low class of service exemplified as between Quebec and New Brunswick?

30

A. I do not think Canadian National is operating any of that type of service you have described.

Q. Well, you smoked everywhere you went.





1  
2 However, what I had in mind, when you say you operate  
3 a minimum service, do you not think that this minimum  
4 service might reflect on the whole operation and create  
5 bad will towards the company? What I mean is, would  
6 it not be better if you could not give first class  
7 service -- I do not mean parlour car, I mean first  
8 class service -- if you cannot give that would it not  
9 be better to eliminate passenger traffic altogether  
10 so that nobody would criticize your minimum service?

11 A. Oh, yes, I would agree with that com-  
12 pletely. It is inherent in what we have in mind  
13 that service of this type it is -- it is done to  
14 save money in areas in which we believe it has been  
15 shown that there is no real demand for a passenger  
16 service. We hope we are providing a reasonably  
17 good service but when we cannot give a cracking good  
18 service, when there is no requirement, we would prefer  
19 to eliminate it -- very much so.  
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Q. Still on the passenger service, on page 21, you refer to reserved coach seats which was in inaugurated in certain sections of Canada: will you tell me what results you have had and, if it is a good thing, why you do not generalize it.

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A. I think the place that is being operated now is between Montreal and Toronto, and it is one of those situations where it is fairly successful -- quite successful. It is returning more than a new dollar for the old one, but it has not really as yet indicated this strongly enough to make us feel we should broaden out, because there are certain other costs involved in reservation and providing porter service and this sort of thing. I personally have great hopes for this type of thing, and think as time goes on we will find acceptance. Anything new sometimes takes a little while to catch on, and I have great hopes it will catch on, and we will expand it.

20

21

Q. I would think so too. However, up to now, with the information you have, you are not sure?

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A. Up to now we have not made a decision to go forward because we feel the information we have so far is not strong enough. I might also say, of course, this is the type of service you would provide mainly on a high density route.

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Q. On the next page -- and this is a minor question, but it is for my own personal information, because I have one of these credit cards. You say you have them for transportation and certain auxiliary





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2 services: what are they?

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A. I think pretty nearly everything that Trans-Canada or CNR provides: hotels, telegraphs, food, even the bar if I may mention it, etc.; also rent-a-car. Actually, it covers pretty nearly everything we do.

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Q. On page 61, about appeals to the Governor General: in reading that paragraph the only thing I want to ask you is, would it be, according to you, by virtue of that clause that the 20% under the M.F.R.A. was increased to 30%?

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A. I am sorry I do not understand.

16

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Q. Well, the Governor General in Council can do anything.

19

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MR. McDONALD: No. You are speaking about appeals: those are appeals from the Board of Transport Commissioners.

23

24

25

26

COMMISSIONER GOBEIL: Q. Well, I was trying to find out where and by virtue of what the 20% reduction under the Maritime Freight Rate Act was increased to 30, and I thought it may be due to that.

27

28

29

30

A. Not under this section, no. This is findings of the Board of Transport Commissioners where they have two courses of appeal; one for the Governor General in Council, and one for the Supreme Court.

Q. I see. Mr. Hart, during cross-examination by Mr. Mauro this morning he asked you a question and your answer confused me a little bit. Maybe I did not quite understand it. He was discussing







1  
2 with you a long and short haul rate, and, if I  
3 understood it correctly he said that intermediate  
4 points between long and short haul will be proportionately  
5 lower, and he mentioned, for instance, that a man  
6 shipping from Winnipeg to Vancouver should pay less  
7 than a man shipping from Toronto to Vancouver.

8 A. This is when he was dealing with  
9 market competition on the B.C. coast. Yes, I think  
10 I remember that.

11 Q. Anyhow, he said that?

12 A. Yes, I think it was roughly like this:  
13 his suggestion was that if there is external market  
14 competition, for instance, in British Columbia, and  
15 that there is a manufacturer of the same goods being  
16 imported into British Columbia from a foreign country,  
17 the manufacturer at Winnipeg and at Hamilton -- that  
18 if the railway decides to meet that market competition  
19 in Vancouver from Hamilton, they should meet it on a  
20 lower basis from Winnipeg; that they should not be  
21 permitted to pick out Hamilton only to ship into  
22 Vancouver. I think that was his proposition.

23 Q. I did not understand it that way, but  
24 it does not make any difference. I will put my own  
25 question: I understood that there is a thesis which  
26 says that from Toronto to Vancouver, and from Winnipeg  
27 to Vancouver, you should not pay more -- that is,  
28 that the smaller distance should be reflected in the  
29 rate.

30 A. Yes, and the only time you can vary





1  
2 from that under the Railway Act is when competition  
3 is ---

4 Q. Yes. I thought Mr. Mauro said that the  
5 intermediate points should benefit from the shorter  
6 distance, and I thought your answer to him was that  
7 you agreed with him.

8 A. Yes, I did.

9 Q. You also, of course, had in mind  
10 maximizing the revenue.

11 A. I say such a thing should maximize our  
12 revenue, yes.

13 Q. Well, where I am confused is that since  
14 we have been sitting I have always thought that the  
15 railways -- and I do not say that I agree with them  
16 or disagree -- have had the same attitude -- and you  
17 can correct me if I am wrong -- that it is not a  
18 question of long haul and short haul, but it is a  
19 question of competition, and freedom of competition,  
20 and maximizing revenue as much as the traffic can bear.

21 A. That is right.

22 Q. Well, your answer to Mr. Mauro is not  
23 that; it is not a question of maximizing revenue. I  
24 thought you accepted the principle this morning that  
25 if it is a shorter distance it should be less.

26 A. No, maximizing the net, I said, by  
27 which I mean your expenses over the long haul are  
28 greater than for the short haul. So, if you reflect,  
29 you can still give a lower rate from the intermediate  
30 point and still it is possible that if you do not put







1  
2 the intermediate rate down you can still get a better  
3 net revenue from the intermediate.

4 Q. What is "maximizing the net" if it is  
5 not getting the most you can get out of it?

6 A. This is another way of putting it, yes.

7 Q. Well, you do not get the most that you  
8 can get if, to go back to Mr. Mauro's question, you  
9 say it should be proportionate to the mileage.

10 A. No, I did not agree it was to be  
11 proportionately to the mileage. I said it could and  
12 perhaps should reflect its shorter distance because  
13 of the fact that our expenses are lower and we may be  
14 able to make more net out of an adjustment to the  
15 intermediate point as compared with the net we would  
16 make out of the longer haul.

17 Q. Maybe I do not get it, but if I understand  
18 you correctly -- and this is when he was questioning you  
19 on page 11, and when you said that there are three  
20 points and the only three points you would want to  
21 see, and he wanted to add another one -- not a  
22 discriminatory rate -- and I would say you should add  
23 another one: long haul and short haul, so that you  
24 take into consideration mileage.

25 A. Well, of course, we do take into  
26 consideration the mileage in every instance excepting  
27 when competition is in force, and what Mr. Mauro was  
28 saying was that if you have competition at Vancouver,  
29 that he felt the railways should not be permitted to  
30 decide where they are going to meet that competition





1  
2 from. This is what I understood Mr. Mauro to be saying:  
3 to put it in its worse position, if you have two  
4 suppliers, one in Winnipeg and one in Hamilton, both  
5 shipping into Vancouver, to meet import competition  
6 in Vancouver you should not be permitted to have a  
7 higher rate from Winnipeg than from Hamilton, and I  
8 would agree with him to that point.

9 Q. Well, suppose we take this assumption:  
10 I understand this distance should be reflected wherever  
11 -- whether it is competition or no competition, but,  
12 independently of competition, even if there is  
13 competition would you say that the distance should be  
14 considered?

15 MR. MAURO: Mileage is reflected now. The  
16 only time the Manitoba proposal has any meaning is in  
17 a competitive situation, because the normal rates from  
18 Winnipeg to Vancouver are lower than the rates from  
19 Toronto to Vancouver.

20 COMMISSIONER GOBEIL: Q. That is what I  
21 thought, but I am not here to interpret what you want  
22 to say. But, if there is competition would you say  
23 there should be no reflection in mileage when there  
24 is competition.

25 A. Just to make certain I am with you, the  
26 only time that mileage does not reflect is when you  
27 are talking about an area of competition, and the best  
28 sort of example -- the simplest example would be where  
29 you have water competition. Say, for instance, water  
30 competition from Hamilton to Vancouver, or Toronto to







1  
2 Vancouver through the Panama Canal and up,

3 Q. Yes.

4 A. Now, really what is done there is that  
5 a transcontinental competitive rate is published in  
6 this instance to meet the competition of the water  
7 carrier between those two points and it is not  
8 reflected because similar competition is not available  
9 to other points, say, from Saskatoon to Vancouver,  
10 although as far as we are concerned the traffic would  
11 probably pass through Saskatoon.

12 Q. Do you mean by this that you could  
13 conceive a rate between Toronto and Vancouver on account  
14 of water competition which would be lower than one  
15 between Winnipeg and Vancouver?

16 A. It is conceivable, yes.

17 Q. Oh well, that is it.

18 A. It is conceivable. I would not say  
19 this specific instance.

20 Q. But it is conceivable.

21 A. Yes, this type of thing could happen.

22 Q. And in this case "intermediate points"  
23 would not mean a thing.

24 A. That is right; it has not been applied  
25 to the intermediate.

26 Q. And this also could be considered by  
27 some as discriminatory; but, as far as you are  
28 concerned, it is not discriminatory -- it is just  
29 straight competition of water against something else.

30 A. Yes, meeting competition where you find it.





1  
2 Q. And, to sum it up, this means that  
3 wherever there is competition the CNR feels that  
4 competition must be free and you should have one  
5 hundred percent liberty as to the rate you should  
6 determine.

7 A. So that we can meet our competition,  
8 yes, exactly.  
9

10 BY COMMISSIONER MANN:  
11

12  
13 Q. Mr. Hart, in your experience with  
14 shippers is it true that shippers guard rather  
15 jealously their right to route traffic?

16 A. Oh, yes.

17 Q. That is very important to them?

18 A. Well, I would say most shippers, and  
19 particularly those shippers who have professional  
20 traffic managers.

21 Q. Yes, let us talk about those.

22 A. Those are the main ones, of course,  
23 by a long shot.

24 Q. Those are the ones probably responsible  
25 for most of the traffic that goes over the line.

26 A. There is no question about that.

27 Q. Very often they specify the routing?

28 A. Yes, very often.

29 Q. That is in the case of domestic shipments?

30 A. Yes.







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Q. And domestic international shipments?

A. Yes.

Q. And definitely so in the case of export shipments?

A. Yes.

Q. Have you ever seen any large company with professional traffic help move an export shipment without specifying the routing of it.

A. No, I do not think so. It would be rather hard for me to imagine such a thing would happen.

Q. In fact, your export rates provide that the shipment must be confined to a steamship agent or steamship line?

A. Yes.

Q. Without that you could not get the export rate?

A. Yes.

Q. In view of that what is the meaning of section 21 of the CNR Act? I just do not understand it.

A. Well, I think --





1  
2 Q. I know why it is there, but I do not  
3 understand what it means.

4 A. Well, it is there to make certain  
5 that shipments as far as we are able to do are consigned  
6 through Canadian ports.

7 Q. Yes, but of the one million 49 thousand  
8 tons that you mentioned as having gone over Canadian  
9 National lines through the Atlantic ports in 1957,  
10 by far the preponderance of that tonnage was routed  
11 with the help of professional traffic people?

12 A. Oh yes I would think so. And, of course,  
13 so routed because the same rates were available.

14 Q. And it was specifically routed on rates  
15 to Halifax or through St. John, as it suited the  
16 requirements of a particular industry.

17 A. I am sorry. I did not quite get your  
18 question.

19 Q. And it was specifically routed by the  
20 exporting company to either Halifax or St. John as  
21 the case may have required?

22 A. This particular traffic, yes. Yes.  
23 I was just afraid I was giving you the idea there was  
24 not shipment through the U.S. ports, because there is,  
25 of course.

26 Q. But the preponderance of the tonnage  
27 which you gave us -- one million 49 thousand on page  
28 78 -- the preponderance of that was specifically routed  
29 by Canadian exporters through certain ports?

30 A. I would be surprised if any of it were







1  
2 not done the same way.

3 Q. Even without section 21 of the Canadian  
4 National Railways Act you would have had to ship it  
5 through Halifax or St. John?

6 A. If they did that, and, of course, as  
7 is mentioned in our brief, the rate situation -- I  
8 think this is the key stone to the whole thing: that  
9 if the rates -- if parity had not been established or  
10 were not maintained between the Atlantic Coast ports,  
11 or whatever Canadian ports we are discussing, and the  
12 American Atlantic ports, certainly the professional  
13 traffic man would route it where it would pay so to do.

14 Q. Indeed. But there is not anything in  
15 the Canadian National Railways Act that specifies  
16 that your rate via Halifax and St. John must be  
17 identical with the rate to New York or Portland or  
18 Boston? At least, I am not aware of anything.

19 MR. McDONALD: No.

20 THE WITNESS: Well, actually, that is  
21 getting perhaps a little too deeply into it. Just  
22 what this word "procure" means might be open to some  
23 question.

24 Let me say this, that I believe that if  
25 there is not in section 21 a requirement to maintain  
26 a parity, section 21 does not mean very much.

27 COMMISSIONER MANN: That is what I wondered  
28 about, because, you see, the parity rate structure,  
29 as I understand it, had its origin in a squabble  
30 between American ports and railroads a way back in





1  
2 1889. And there was a case in the Interstate Commerce  
3 Commission between, I think, the Boston Association  
4 of Commerce or something or other. It is a voluntary  
5 arrangement between the American and Canadian ports?

6 THE WITNESS: As far as the American railroads  
7 are concerned, it is an enforced voluntary arrangement  
8 at the moment and my understanding of this is --  
9 always subject to check -- that section 21 has an  
10 enforcement on us to maintain a parity, because  
11 otherwise the requirement on the railroads to get  
12 traffic through Canadian ports just has not any  
13 meaning.

14 COMMISSIONER MANN: Q. Yes, but, you see,  
15 Mr. Hart, all that section 21 says to me is that  
16 you should try and do your utmost to provide and  
17 procure -- and I am no expert on provisions and  
18 procurements, either -- that all freights listed for  
19 export by sea shall be moved by you through Canadian  
20 ports unless it has been by its shipper specifically  
21 routed, say, through New York. But, if it has been  
22 by its shipper specifically routed through Halifax  
23 or St. John what choice have you got?

24 A. None.

25 Q. So, this section 21 -- the only real  
26 meaning of it to my mind -- and I would like you to  
27 correct me if I am wrong -- is in the case of a  
28 rather insignificant amount of traffic that has not  
29 been specifically routed by the exporter, and that is  
30 as we have agreed very little?







1  
2 A. If your definition of section 21 --  
3 if your interpretation of section 21 is right, I cannot  
4 quarrel with the conclusions which you reach.

5 Q. I would like to be enlightened, Mr.  
6 Hart. I do not know what it means. You see, if it  
7 means what I think it does, well then, I have a little  
8 difficulty with your subsidy recommendation.

9 A. Of course. That is what I say: if  
10 you are right in your interpretation. I take section  
11 21 to mean there is an enforcement on us to maintain  
12 a port parity situation.

13 Q. There is not.

14 A. If there is not, it is difficult for  
15 me. This is my understanding.

16 Q. Perhaps you might check that, Mr. Hart.  
17 I am not asking you to do that now, but if you could  
18 let us know what you have in mind and let us know  
19 whether I was wrong or not it would be helpful to us,  
20 I am sure.

21 A. As I understand what you are suggesting,  
22 it is that at the moment you believe there is no  
23 requirement on the Canadian National to maintain the  
24 parity rates to the Atlantic Seacoast ports, and you  
25 would like --

26 Q. There is nothing in the Canadian  
27 National Railways Act, reading it in conjunction with  
28 section 21, that would require you to abide by the  
29 voluntarily entered into port parity rate structure,  
30 and in fact you and I know that there are many





1  
2 departures from port parity where such departures  
3 have been necessary?

4 A. In some instances; in Montreal, that  
5 is right, yes.

6 MR. McDONALD: Commissioner Mann, I would  
7 just refer you to another paragraph in the submission,  
8 page 77. There is some other legislation there.

9 COMMISSIONER MANN: I beg your pardon?

10 MR. McDONALD: I would refer you to page  
11 77, the earlier statutes which did require the railways  
12 to ensure that the rates for such traffic were no  
13 greater via Canadian ports than via United States  
14 ports.

15 COMMISSIONER MANN: Where is that?

16 MR. McDONALD: Page 77; the paragraph in  
17 the middle of the page.

18 COMMISSIONER MANN: Well, those are the  
19 earlier statutes.

20 MR. McDONALD: Yes.

21 COMMISSIONER MANN: Well, we are in 1960  
22 now, and I do not know how many of these statutes are  
23 still alive. For instance, the Grand Trunk Pacific  
24 Railway Company Incorporation Statutes; the Northern  
25 Ontario Statutes, and so on. I think those have  
26 been superseded.

27 MR. MACDOUGALL: Those are still on the  
28 statute books of Canada. They have not been repealed.  
29 There have been amalgamations, but the facts still  
30 stand.







1  
2 COMMISSIONER MANN: The wording there was  
3 roughly similar to the wording now contained in section  
4 21 of the Canadian Railways Act, because that is where  
5 it was taken from. In 1953, that was worded roughly  
6 the same way?

7 MR. McDONALD: The Grand Trunk Pacific,  
8 but the Canadian Northern legislation required to  
9 ensure that the rates for such traffic were no greater  
10 via Canadian ports than via United States ports. What  
11 has happened, these companies -- these statutes are  
12 still in the books, but these companies were amalgamated  
13 with the Canadian National Railway Company. And, under  
14 the Railway Act all the powers and restrictions and  
15 so on are carried through to the amalgamated companies.

16 COMMISSIONER MANN: Perhaps if you would be  
17 good enough to let us have some information on that.  
18 It is a point that has been bothering me. I find it  
19 difficult to understand.

20 Q. On page 78, you gave 1957 figures for  
21 traffic moving over Canadian National lines through  
22 the Atlantic ports. You have a figure there of one  
23 million 49 thousand tons. Now, it does not say this  
24 is all export traffic. Could you tell us how many of  
25 these tons were for consignment to Newfoundland?

26 A. No. I am certain of this, that this  
27 was export tonnage in the sense of going outside of  
28 Canada. This is the stuff moving under export rates,  
29 not the stuff we shipped down there to go to  
30 Newfoundland.





1  
2 Q. You see, 1957 is three years ago now,  
3 and there must have been more recent figures available.

4 A. Actually, this was as a result of the  
5 study carried out, and I am not certain how readily  
6 available such figures are. I rather imagine it takes  
7 another special study, and we use this as an example  
8 not having the figure.

9 Q. You had a discussion this morning --  
10 I think it was this morning -- with Mr. Hume about  
11 your policy with regard to piggyback. In the United  
12 States, where a lot of railways are now using piggyback,  
13 there is a definite split of opinion between the  
14 railways. Some favour plan 1, and some favour plan 2?

15 A. Yes, and other plans, too.

16 Q. And other plans too?

17 A. But, certainly there is a basic  
18 difference of opinion between people on plan 1 and  
19 plan 2.

20 Q. Do we not in a sense have the same  
21 split in Canada, where Canadian National on the whole  
22 favour plan 2, and Canadian Pacific on the whole favours  
23 plan 1?

24 A. Well, I could not say. If I may, I  
25 can speak for Canadian National in general in this  
26 area, and all I have to say is that in each area we  
27 look at what is required in each area and certain  
28 it is that as far as Canada is concerned we have a  
29 good deal of plan 1 and we have a good deal of plan  
30 2. And we believe that they both fit certain







1  
2 circumstances and we hope that we have tailored  
3 the circumstances to meet the requirements of the  
4 shipping public in the areas we have them lined up.

5 Q. Mr. Hart, in your piggyback network  
6 I find that by and large you have plan 1 between  
7 competitive points and plan 2 between at least where  
8 there is at least one local point involved. I think  
9 that is right, without an exception, if I am not  
10 mistaken.

11 A. This is from a rail competitive point  
12 to a local point?

13 Q. Oh, yes, that is right.

14 A. Yes, yes. Well, certain it is -- I  
15 have not looked at it from that point of view. The  
16 big area we have only plan 2 in is the Maritimes,  
17 which we cover practically as local territory. And  
18 the reason, as I said before, is that I think -- I  
19 know we are operating a first rate service in the  
20 Maritime provinces. And I also know that we make  
21 more money out of plan 2 than we do out of plan 1.  
22 So, from this point of view, the shipper is being  
23 kept happy, and being able to make more money, I think  
24 this is a fine way to operate through the Maritimes.





1  
2 Q. Do not misunderstand me, I have no  
3 criticism, I have nothing but the highest praise for  
4 your piggyback service in the Maritimes. I was trying  
5 to get to the conversation you had with Mr. Hume this  
6 morning and I was going to suggest to you that as a  
7 general principle where you have this plan 2 but where  
8 competition forces you to go to plan 1, it will adapt  
9 itself to circumstances?

10 A. Yes. If the service is going to be  
11 provided, this means we might as well be eating a piece  
12 of the pie.

13 Q. Now, you had a discussion with Mr.  
14 Hume yesterday and I wrote down November 16, about  
15 the freedom to publish competitive rates. The gist of  
16 the conversation, so far as I can remember, is that  
17 section 334 inhibits you in the speed with which you  
18 can publish these rates. Now, I have heard, and this  
19 comes before the Board very often, as you know, that  
20 you can make rates over the telephone just as easily  
21 as a trucker.

22 A. No, we cannot make a rate over the  
23 telephone as easy as a trucker -- no indeed.

24 Q. You can wire the Board.

25 A. Yes, but unfortunately, there are these  
26 things; if every bit of this information is known so we  
27 have -- if you have the situation where this sort of  
28 thing has been examined for another purpose, yes, but  
29 when you are meeting a new situation with new  
30 commodities and that sort of thing, even though it is







1  
2 between two other points, you still have to examine  
3 the possibilities of being called upon and looking  
4 for the various bits of requirements so I cannot agree  
5 by any manner of means that we are as free and every  
6 bit of delay works against us. Even, as I said  
7 yesterday, sometimes 30 minutes is crucial for a car-  
8 load.

9 Q. Let us assume that subsection 2 of  
10 section 334 was not in existence at all?

11 A. Yes.

12 Q. And one of the traffic people in  
13 Saskatoon were asked for a competitive rate. Now, is  
14 it not inherent in a large organization, and this is  
15 I suppose the same in industry generally, is it not  
16 inherent in a large organization that a man moves a  
17 little more slowly than the proprietor of a truck line  
18 with four trucks?

19 A. I do not think the man should move any  
20 more slowly.

21 Q. But does he not?

22 A. I think rather more than that is some  
23 of the routines that are set up by a larger company  
24 perhaps inhibit him to some degree, and this is one of  
25 the reasons that we are making what we consider to be  
26 good changes in our organizational structure to try to  
27 free the hands of local management much more than now.

28 Q. That is why you have gone into this  
29 area scheme?

30 A. Exactly.





1  
2 Q. But the fact you have had to do this  
3 is an essential recognition of the slowness with which  
4 it moved?

5 A. Yes.

6 Q. So, at least up to the time of  
7 decentralization in your management it could be that  
8 there was an inhibition on your freedom for rate  
9 making, your facility to act that was inherent not only  
10 in the legislation but also ---

11 A. Yes, and actually what we are trying to  
12 do is clean up one and having done that to clean up  
13 the other, that is right.

14 COMMISSIONER MANN: I think that is all I  
15 have, thank you very much.

16 THE CHAIRMAN: Thank you very much, Mr. Hart.  
17 Mr. Dingle, I understand that Mr. Frawley has one  
18 question.

19  
20 S.F. DINGLE, recalled

21  
22 CROSS-EXAMINATION BY MR. FRAWLEY:

23  
24 Q. Mr. Dingle, this brief of the Canadian  
25 National has a section with regard to the railway  
26 grade crossing fund at page 64. Have you got a copy  
27 of the Railway Act there with the grade crossing  
28 section?

29 A. I have parts of section 265 in my book.

30 Q. Will you turn up section 265? You have







1  
2 in front of you now?

3 A. Yes.

4 Q. I want to call your attention to this  
5 limiting subsection which is subsection 6 of section  
6 265:

7 "No amount shall be applied by the Board out  
8 of the railway grade crossing fund towards  
9 the cost of work actually done in respect  
10 of any crossing unless that crossing has  
11 been in existence for at least three years  
12 prior to a making of the order of the Board  
13 to apply the amount for that purpose".

14 Now, you are aware, Mr. Dingle, that in view  
15 of the limitation there, there can be no grade  
16 separation built where a highway crosses a railway and  
17 by that crossing makes a new highway. In other words,  
18 that would be a highway which has not been in  
19 existence for three years. For instance, if the  
20 government of Alberta was building a new highway from  
21 Edmonton to Wainwright and we crossed your railway in  
22 places and made a new crossing there could be no help  
23 from the fund for that grade separation, assuming it  
24 required a grade separation.

25 A. On capital account?

26 Q. Yes, on capital account as distinct  
27 from maintenance. There could be no contribution as  
28 to the construction of that for any reason no matter  
29 how much it is needed, there can be no contribution  
30 because this subsection only has to do with respect of a





1  
2 crossing which has been in existence for three years in  
3 relation to the capital contribution to the building of  
4 a grade separation?

5 A. I understand that.

6 Q. Now, Mr. Dingle, having in mind your long  
7 experience with the railway, I put it to you that that  
8 is not a satisfactory situation. What do you think  
9 about it?

10 A. As I read section 265 the Act so states  
11 that your reference is to existing crossings?

12 Q. Yes, existing crossings existing for  
13 three years.

14 A. Existing for three years, also that it  
15 does not include anything for capital, as I mentioned,  
16 up to that period.

17 Q. That is right.

18 A. So that with the number of crossings in  
19 Canada on our railroad I would say we have something of  
20 the order of 17,000 crossings of which there are  
21 probably 15,000 that are not protected at this time,  
22 the working of the Act as at present, I believe was  
23 deliberately set to try to clean up the existing  
24 difficulties at the existing crossings rather than to  
25 worry about the future. I think our hands are full with  
26 that at the moment. That is probably why this limitation  
27 is there. Now, it would be a grand thing if we could  
28 get more money out of the federal government to enlarge  
29 this \$15 million fund that we presently have but carrying  
30 out what we have now I think pretty well takes care of







1  
2 the fund each year.

3 Q. Well now, I do not understand that the  
4 Canadian National was as satisfied with the situation as your  
5 answer would indicate. Let me give you an example and  
6 say there is an existing highway between Edmonton and  
7 Wainwright and you are building a branch line and you  
8 seek to cross that highway. The situation is such that  
9 it requires a grade separation and you could not get  
10 any contribution to the construction of that separation  
11 because the crossing would only be in existence at the  
12 moment you crossed it. That is the other side of the  
13 picture.

14 A. I did not intend to infer that I was  
15 satisfied, I was outlining what was being done now and  
16 our situation in trying to straighten out existing  
17 difficulties. Now then, what we have asked for is  
18 related to maintenance which is becoming a heavy burden.  
19 Now, as I say, if the fund could be enlarged and you could  
20 help us in that I would be very happy.

21 Q. Also, that is a little more in conformity  
22 with what I understand to be the situation. I quite  
23 agree it requires an addition to the funds provided by  
24 parliament for the grade crossing work but I put it to  
25 you in the two instances I have given you one, they are  
26 constructing a new highway from Edmonton and Wainwright  
27 in crossing one of your railways and there could be no  
28 --- ?

29 A. So you pay for the grade separation.

30 Q. We pay completely for the grade separation?





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A. That is right.

MR. MACDOUGALL: Or the railway pays.

MR. FRAWLEY: No. In the example the province would have to pay so there would be a level crossing go in so you have three years and after we have lived with the crossing for three years and suffered however many fatalities it may cause then after three years we can then go to the Board in that same situation and get a contribution to the separation. That is what you understand, that is how the section works out?

A. I understand that.

Q. I put it to you that that is a wholly unsatisfactory situation.

A. Well, perhaps we can look back and I think I am right in this that that limitation was placed there so that a municipality or anyone could not take advantage of this fund by just putting in crossings holus bolus and not paying for protection.

Q. Well, the Board would always -- one would always have to go to the Board for approval of this grade separation.

A. I do not know that the three years is right or whether it should be five years or ten years or one year.

Q. You remember it used to be a crossing had to be in existence since 1909 and at the time of the Kearney investigation it was brought up to three years which was quite an improvement. I am putting to you first that the Minister of Highways for the province of





Page 19935 line 21: "it means that" should read "by means of"

24: "the type" should read "that type"  
"they built" should read "be built"

26: "crossing" should be "separation"

own behalf you are seeking to cross the highway and the situation -- for the first time you are crossing a highway nothing can be done until the level crossing is there for three years unless, as you point out the railway wishes to pay for the whole grade separation.

A. That is the situation.

Q. And contrary-wise, if we are building a highway and crossing your railway for the first time and it calls for a grade separation, the grade separation cannot go in unless we want to pay for the whole thing?

A. That is right.

Q. I put it to you that this subsection is an impediment to the building of new highways or new railways.

A. Well, I will put it the other way, I will happy to be relieved of the existence ---

MR. MACDOUGALL: Mr. Frawley, in fairness would want to say this: before any railway is opened up over a highway or vice versa, it means that a level crossing, the Board of Transport Commissioners would have to be satisfied that it was safe and reasonable for the type of crossing they built and the public would not be unduly injured by that type of construction, otherwise they would order a grade crossing at that time.

MR. FRAWLEY: What my friend means is that the Board is there exercising that same jurisdiction but within the circumstances I have put there will be a





1  
2 level crossing go in except in those rare instances  
3 where the funds are available to build a grade  
4 separation regardless of the fund. Surely, that was  
5 never intended but in these circumstances a -----

6 MR. MACDOUGALL: That is not what the answer  
7 was. I am not trying to confuse Mr. Frawley but the  
8 fact should be before the Commission. We have in mind  
9 building in areas around Toronto and there will be  
10 quite a number, a large number, of grade separations  
11 built there simply because the Board would not authorize  
12 to construct our railway over these highways without  
13 grade separation. They will be constructed and paid for  
14 entirely by the applicant, the railway, and that  
15 situation does exist at this time and grade separations  
16 are being built and paid for initially by the person  
17 who is creating this new danger if the level crossing  
18 is opened up and that is the Board's jurisdiction to  
19 see that a new danger would not be created.







1  
2 MR. FRAWLEY: It seems to me that the grade  
3 crossing fund was not built up with a view to having  
4 the railway authority or the highway authority  
5 build it at its own expense.

6  
7 BY COMMISSIONER GOBEIL:

8  
9 Q. I have only one question, Mr. Dingle:  
10 in the passenger deficit, or we can call it free  
11 transportation, because it is part of the deficit, I  
12 believe that the CNR mentioned some \$9 million.

13 A. That figure was mentioned, yes. I have  
14 nothing to support it, I might say.

15 Q. And your recommendation is that free  
16 transportation be discontinued for members of parliament,  
17 senators and government officers, and that free  
18 transportation be continued only for railway employees?

19 A. Yes sir.

20 Q. And in connection with this large amount  
21 this would be the recommendation that you would suggest  
22 this Commission would make. If it is only for \$50,000  
23 -- and I would not use the sentence somebody else  
24 used previously -- but maybe it would not be as  
25 important as if it were \$5 million. What would the  
26 railway be saving by stopping this free transportation  
27 for members of parliament? Would it be \$50,000 a year  
28 out of the \$9 million, or would it be \$100,000?

29 A. I have no way of knowing, Mr. Gobeil.  
30 I would like to put it around the other way: by what  
we are suggesting we get added passenger revenue.





1  
2 Q. Yes, but the way I see it you have a  
3 \$9 million deficit and you are making a suggestion which  
4 you might save \$100,000. There are 275 members of  
5 parliament and you put it at \$100.00 each and it comes  
6 to quite an amount. It may be that out of the \$9  
7 million you would retain \$8 million dollars of free  
8 transportation with free transportation for the  
9 employees.

10 A. Well, without the figures I do not think  
11 we can come to a satisfactory conclusion. I have no  
12 exact figures to spell out this \$9 million. It was  
13 done a statistical exercise, and I do not agree with  
14 it and I do not disagree with it. Until we make a  
15 complete study I could not answer your question. Besides  
16 what you mention -- members of parliament and so on --  
17 there are all the foreign line passengers, and so on  
18 to be cut out. It is not just restricted to members  
19 of parliament. The members of parliament were put on  
20 a warrant basis and we will get revenue from that just  
21 like the armed serviced movements.

22 Q. I do not know if this information can  
23 be provided or, as a matter of fact, whether I should  
24 ask for it, but if it can be provided, would it be  
25 possible to have the percentage figures as to what  
26 you want to exempt from free transportation -- all  
27 these different groups you are mentioning -- and those  
28 that you want to keep on free transportation? Does it  
29 represent 10, 15 or 50%?

30 MR. McDONALD: May I interject here, Dr.







1  
2 Gobeil. The reason we cannot give you that is because  
3 a member of parliament has a pass for his family and  
4 they may not use it at all. They may travel by air  
5 all year. We have no record of the use these people  
6 make of the passes. So, we cannot tell you.

7 COMMISSIONER GOBEIL: Well, how do you get  
8 your \$9 million and did the CPR get \$6 million 700  
9 thousand?

10 MR. McDONALD: We made a test on trans-  
11 continental trains over a certain period and got a  
12 percentage of the people who got on, and the length  
13 of journey, and so on, and then we applied this to  
14 the rest of the system. It is just a horseback ---

15 THE CHAIRMAN: A sort of waybill.

16 COMMISSIONER GOBEIL: Well, could you not  
17 apply that to my question?

18 MR. McDONALD: Then we would have to make a  
19 study to determine what use members of parliament and  
20 their families have made of them, and each one of  
21 the different categories.

22 COMMISSIONER GOBEIL: Q. Mr. Dingle, may  
23 I ask it another way: am I wrong when I think that  
24 this free transportation for members of parliament  
25 and senators and government employees may represent  
26 only \$1 million out of \$9 million?

27 A. I am not sorry, I have no way of telling.  
28  
29  
30





1  
2 BY COMMISSIONER BALCH:

3  
4 Q. May I ask one question, Mr. Dingle:  
5 if I understand it, general order 656 is a permissive  
6 general order; in other words, the railways can  
7 discontinue without going to law?

8 A. That is right, sir.

9 THE CHAIRMAN: We will adjourn until  
10 tomorrow morning when we will have Mr. J.W. Wesson.

11 MR. MACDOUGALL: Thank you, Mr. Chairman,  
12 for giving us the extended time in order to finish  
13 tonight.

14  
15 --- Adjournment ---  
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*Hon C. P. McTaggart*

# ROYAL COMMISSION

ON

## TRANSPORTATION

### HEARINGS

HELD AT

OTTAWA

VOLUME NUMBER OF THE REPORT AND DATE

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held  
in the Court Room, Board of  
Transport Commissioners  
Offices, Ottawa, Ontario, on  
the 18th day of November, 1960.

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Mr. H. Anscomb	Member
Mr. A. H. Balch	Member
Mr. R. Gobeil	Member
Mr. H. A. Mann	Member
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Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary





Ottawa, Ontario,  
Friday,  
November 18, 1960.

--- On commencing at 10:00 a.m.

THE CHAIRMAN: Order, please. Mr. Milligan?

MR. MILLIKEN: Yes, Mr. Chairman.

THE CHAIRMAN: We are glad to have you here.

MR. MILLIKEN: Thank you very much.

I would like to call Mr. Wesson.

J.H. WESSON, called

THE CHAIRMAN: Mr. Wesson, personally I am very glad to see you here. I know that you have been in this company for a long time and I understand this is your last official act. I understand you are still a delegate of the Wheat Pool?

THE WITNESS: I am until the 15th of December.

THE CHAIRMAN: Well, in any event, we will be glad to hear you, and good luck to you.

THE WITNESS: Thank you very much, Mr. Chairman.

MR. MILLIKEN: I realize, Mr. Chairman, that you are well acquainted with Mr. Wesson.

THE CHAIRMAN: Oh, yes. We have differed and agreed so many times.

MR. MILLIKEN: For the benefit of the other Commissioners, I would say Mr. Wesson is the President of the Saskatchewan Wheat Pool which position he has held for the last twenty three and a half years. As the







1  
2 Chairman has indicated, he is retiring shortly. He  
3 came to the country in 1907 and Mr. Wesson was wont to  
4 say on occasion that one of the reasons he came was the  
5 lure of the Crow's Nest Pass Rates. I believe his  
6 background fits him well for his duties.

7 THE CHAIRMAN: If I am not mistaken, he was  
8 one of the original Lloyd settlers?

9 THE WITNESS: No, it was two years later, Mr.  
10 Chairman.

11  
12 DIRECT EXAMINATION BY MR. MILLIKEN:

13  
14 Q. Mr. Wesson, would you proceed to read  
15 the brief, please.

16 A. Mr. Chairman and Commissioners.

17 1. This submission is a lengthy document  
18 because it deals with many questions, all of which  
19 Saskatchewan Wheat Pool believes must be recognized and  
20 taken into consideration in any attempt to resolve the  
21 issues inherent in the terms of reference under which  
22 this Royal Commission on Transportation was established.  
23 It introduces some matters which may be considered by  
24 some to be extraneous. But to the Prairie farmer, whose  
25 views this organization represents nothing must be  
26 omitted from these deliberations if it contributes in  
27 any way to a greater understanding of the real problem  
28 which the west believes to be the unfair burden borne  
29 today by some sections of this country of the total cost  
30 of maintaining a complex transportation system vital





1  
2 equally to all of its parts.

3           2.     Saskatchewan Wheat Pool submits at the  
4 outset that the real issues will not be resolved at all  
5 were this Commission to confine itself to the  
6 interpretation of its purpose advanced by some of the  
7 parties who have already appeared. It is far from  
8 sufficient to label this investigation, as the two great  
9 railway companies have in their original submissions, as  
10 "A Royal Commission on Railway Transportation in Canada."  
11 It was not the stated intention of the Parliament of  
12 Canada to limit this investigation to railway  
13 transportation and Saskatchewan Wheat Pool has been  
14 gratified to observe it has not been the interpretation  
15 of you, the Commissioners, during your deliberations up  
16 to now. It is the earnest plea of the farmers of the  
17 west that when you come to your final deliberations you  
18 will encompass the entire subject of Canadian  
19 transportation within the scope of your final  
20 observations.

21           3.     This submission will consider what have  
22 generally come to be known as "the purposes of the  
23 Dominion," those actions by which the first Parliament  
24 went about establishing a Canadian nation from sea to  
25 sea. One of those purposes was to complete a railway  
26 line from one end of the country to the other. Another  
27 was to settle the great plains area lying between the  
28 east and the Pacific. In both of these our forefathers  
29 exhibited great imagination, for there were factors of  
30 geography and climate which must have seemed







1  
2 insurmountable. Today it is an accomplished fact that  
3 this country has one of the greatest networks of railway  
4 lines of any country in the world and that it has a  
5 vast Prairie settlement on which is produced one of the  
6 largest and most valuable grain crops in the world.  
7 Through the years the whole country has grown and  
8 prospered in a large measure because these two great  
9 purposes were accomplished. Now both the railways and  
10 the farmers each face what they themselves consider to  
11 be problems of crisis proportion. The burden of  
12 resolving these crises is not their's alone but belongs  
13 to the entire nation in whose accomplishment they each  
14 contributed a major share.

15 4. Saskatchewan Wheat Pool must say without  
16 equivocation that Prairie farmers have no quarrel with  
17 the railways as such. They recognize they would not be  
18 in the grain business were there first not a railway and  
19 they admit freely that because no other carrier has  
20 come forward to move their crops as efficiently as does  
21 the railway they are likely to remain dependent upon  
22 railway transportation for many years to come. The  
23 railways themselves admit freely that the movement of  
24 Prairie grain is their biggest single item of business.

25 5. In the days since the first railway was  
26 built to the west, Canada's transportation systems have  
27 become more complex and diverse. Where once rail was  
28 the only carrier there now are airways, highways and  
29 pipelines. In some areas of the country seaways have  
30 always been principle carriers, even before the advent





1  
2 of the railway. Part of the problem seen today by the  
3 railways arises from this diversity of transportation  
4 media. In some areas railways have trouble meeting  
5 the competitive alternative. Saskatchewan Wheat Pool  
6 submits that only within the perspective of the entire  
7 transportation industry in Canada can any satisfactory  
8 consideration be given to problems claimed exclusively  
9 by the railways.

10 6. This submission is divided into three  
11 main parts:

12 (1) Consideration of the building of the  
13 railway to the west as an historical part of the total  
14 development of the vast network of transportation media  
15 which now spans the country and in which government has  
16 taken a major part from the beginning:

17 (2) Consideration of the development of  
18 the grain-growing industry in the west within the  
19 framework of the railway network and other government  
20 policies and the contribution of that grain industry  
21 to the entire development of the country;

22 (3) Recommendations which may assist  
23 this Royal Commission in determining how best to direct  
24 Parliament's attention to resolving the real problem;  
25 efficient transportation for all of Canada at a real  
26 cost the country can afford and on a basis shared  
27 equitably by all of its parts.

28 7. Saskatchewan Wheat Pool is a farmer-owned  
29 and operated co-operative. It was founded in 1924  
30 primarily to handle and market the Prairie grain crop.







1  
2 That has been its primary purpose through the years and  
3 remains so today. In its first 35 years Saskatchewan  
4 Wheat Pool handled more than 3,737,000,000 bushels of  
5 grain. In 1958-59 its grain handling totalled 143,000,000  
6 bushels, 47% of the grain handled in Saskatchewan, the  
7 province whose flat, fertile fields produce annually half  
8 of the Canadian grain crop.

9 In the year just past, which was reported last  
10 week, it was 145 million odd, or 55.5 percent of the  
11 total Saskatchewan grain marketed. The province whose  
12 flat, fertile fields produce annually half of the  
13 Canadian grain crop.

14 8. Saskatchewan Wheat Pool is the largest  
15 of 16 elevator operators in the province and has 1,260  
16 elevators with a total physical capacity of 84,500,000  
17 bushels. It also operates five terminal elevators at  
18 the Lakehead and one at Vancouver with a total terminal  
19 capacity of 32,517,000 bushels.

20 THE CHAIRMAN: How many other elevators are  
21 there?

22 THE WITNESS: In the west?

23 THE CHAIRMAN: No, in Saskatchewan.

24 THE WITNESS: Well, I don't know offhand. I  
25 think probably we have less than forty per cent of them.

26 9. In recent years, with the diversification  
27 of agriculture in the province, Saskatchewan Wheat Pool  
28 has broadened its activities. It now operates at  
29 several livestock marketing places which handled  
30 305,680 head of cattle and calves in the year ended  
July 31, 1959, or 45 per cent of all cattle and calves





1  
2 marketed in Saskatchewan, as well as an appreciable  
3 percentage of hog, sheep and lamb marketings. The  
4 Livestock Division of Saskatchewan Wheat Pool owns and  
5 operates stockyards at Regina, Swift Current, Yorkton and North  
6 Battleford, sales agencies besides at Moose Jaw,  
7 Saskatoon and Prince Albert. In addition Canadian  
8 Livestock Co-operative (Western) Limited, owned jointly  
9 by the Alberta, Saskatchewan and Manitoba livestock  
10 co-operatives, acts as Saskatchewan Wheat Pool's selling  
11 agency at St. Boniface, Manitoba.

12 May I say in the last year, just reported,  
13 our handling of livestock was just around fifty per  
14 cent of the total marketed in Saskatchewan.

15 It operates a flour mill with production  
16 capacity of 4,000 hundredweight of flour and a  
17 vegetable oil extraction plant capable of crushing  
18 1,950 bushels of flax a day. A new solvent extraction  
19 plan now is under construction and will have a  
20 capacity of extracting oil from 6,500 bushels a day."

21 Its weekly newspaper, the Western Producer, has a  
22 circulation of 141,000 copies in the four western  
23 provinces.

24 10. Saskatchewan Wheat Pool's physical  
25 assets were built or purchased at an estimated cost of  
26 \$70,000,000 and are managed under the direction of  
27 executive officers directly responsible to the Pool's  
28 85,000 active farmer members, each of whom has an  
29 equal voice in the co-operative's affairs. Officers  
30 and directors are elected annually for one-year terms  
in elections conducted at the farmer level. Each must







1  
2 Each must be an active farmer. Each director  
3 personally represents one of 16 Wheat Pool districts  
4 and is himself one of the 10 or 11 delegates chosen  
5 for that district by Wheat Pool members living within  
6 it. In all there are 167 delegates who form the body  
7 of the annual meeting where policy matters are reviewed  
8 for the year. The directors themselves meet each month  
9 at the Wheat Pool's head office in Regina.

10 Because this is my last effort, Mr. Chairman,  
11 I should like to explain a little further my own  
12 experience. I was first elected as a delegate, in  
13 my subdivision around Maidstone, in 1924. I have been  
14 elected by acclamation for thirty-six years as a delegate.  
15 I have been elected for the whole thirty-six years as  
16 a director; we have a meeting in North Battleford every  
17 December, and of course I have been Vice-President since  
18 1931-37, and then President. I am not like other  
19 politicians who have an election every four years; I have  
20 had three every year over those years. I thought the  
21 Commission would be interested in that.

22 THE CHAIRMAN: I can confirm that.

23 THE WITNESS: Thank you.

24 11. Through the years Saskatchewan Wheat  
25 Pool has had a two-fold purpose: to operate its  
26 physical facilities to improve living conditions and  
27 standards among Saskatchewan farm people and to give a  
28 democratic voice to the view of those same farm people  
29 about national and international affairs affecting  
30 not only their own well-being but also that of the





1  
2 nation as a whole. We welcome this opportunity to  
3 make a submission to this Royal Commission on  
4 Transportation.

5 12. It can be seen readily that Saskatchewan  
6 people have a peculiar interest in transportation  
7 matters. Their highway and roads network is the longest  
8 of all provincial road networks in Canada despite the  
9 relative smallness of the provincial area. Saskatchewan's  
10 251,700 square miles of land and water form only 6.5  
11 per cent of the country's total mass. Railway trackage  
12 in the province is the longest for all provinces  
13 except one -- Ontario, where the largest concentration  
14 of people live within some 10 per cent of the country's  
15 total area.

16 13. Saskatchewan Wheat Pool has a specific  
17 interest in transportation, especially railway  
18 transportation, because Prairie grain is primarily an  
19 export commodity and must be moved several hundreds  
20 of miles from the farm to an exporting port. From  
21 Regina to Fort William, for example, is 775.5 miles  
22 along the CPR's main line. Grain was moved in the  
23 beginning by rail and is still moved by rail because  
24 no other carrier has yet shown it can replace the  
25 railway as a transporter of grain.

26 14. The movement of Prairie grain to export  
27 market positions in one side of the railway problem for  
28 the west. There is also the movement into the area of  
29 a variety of producer and consumer goods needed both  
30 by Prairie people as agricultural producers and as







1  
2 ultimate consumers. The Prairies generally remain an  
3 area where manufacturing is still a minor part of the  
4 total economy and where competitive methods of  
5 transportation other than rail generally claim a minor  
6 share of the total movement of goods of all kinds into  
7 and within it. For these reasons this submission  
8 attempts a comprehensive picture of railways and wheat  
9 within the perspective of total transportation and the  
10 entire economy. Its ultimate conclusions seek an over-  
11 all approach to a transportation problem which cannot  
12 be isolated into any less a part than the whole.

## 13 II RAILWAYS AND THE WEST

14  
15 15. Among the political and economic pressures  
16 leading to a Confederation of the original British North  
17 American colonies the need for new commercial  
18 opportunities was paramount. In an analysis of the  
19 situation existing about the middle of the 19th century  
20 Professor W. A. Mackintosh said in a report to another  
21 Royal Commission in -- the economic background of  
22 Dominion-provincial relations, a study prepared for the  
23 Royal Commission on Dominion-Provincial Relations 1939,  
24 appendix 3, page 12 -- to another Royal Commission in  
25 1939 that:

26 "... The simple economic life, which was based  
27 on the older industrial techniques, felt the  
28 impact of the new instruments of industry and  
29 transport. The colonial economy of the first  
30 half of the 19th century had been based on  
wood, wind and water while that of the second





1  
2 half was to be established on steam, rail and  
3 steel. The vast technical transformation thus  
4 brought about gave rise to many problems for  
5 colonial countries, problems of new markets,  
6 new competitors, the search for new products,  
7 and of capital imports and mounting debts."

8 16. Britain had withdrawn from the free trade  
9 practices under which the colonies originally had  
10 prospered. A generation later there was elimination of  
11 the market in the United States with the revocation of  
12 reciprocity.

13 17. Within the framework of Confederation the  
14 original four colonies saw the promise of a basis for  
15 economic expansion. In his analysis, Professor  
16 Mackintosh wrote:

17 "From the point of view of economic development  
18 much was hoped from Confederation. It was  
19 expected that the whole, economically as  
20 politically, would be found to be greater than  
21 the sum of its parts. A larger unit of  
22 government promised broader financial resources  
23 and the greater borrowing power necessary to  
24 carry out still more ambitious railway policies.  
25 It was hoped that the new Dominion would in  
26 some measure find within itself a circulation  
27 of trade which might compensate for the loss  
28 of free access to the United States market."

29 (Ibid page 14).

30 18. The vehicle for accomplishing this end







1  
2 became known as the national policy which had three main  
3 approaches: Vernon Fowke, University of Saskatchewan  
4 economist, defines the "national policy" in his The  
5 National Policy and the Wheat Economy (University of  
6 Toronto Press), 1957, as "a collective term covering  
7 those policies which after the middle of the 19th century  
8 were directed in complimentary fashion toward the creation  
9 of a transcontinental Canadian nation." See page 52. --  
10 acquisition of the vast hinterland between the new  
11 Dominion and the Pacific, a railway to unite the east  
12 with the far west and a system of tariff protection to  
13 encourage industrial development within the new country.

14 19. It is pertinent to this examination of  
15 Canadian transportation to cite here what Professor  
16 Mackintosh had to say about these three part of the  
17 national policy in his 1939 analysis:

18 "In the period in which Confederation was  
19 planned and worked out, there were three  
20 decisions looking toward economic integration  
21 within a national economy -- decisions that  
22 were so broad in scope and so important in  
23 effect that they continue to mark the main  
24 lines of national policy. Though they have  
25 been modified and recast from time to time,  
26 they can in their essential form be accepted  
27 as major facts in national economic development.  
28 "The first of these decisions which was arrived  
29 at slowly between 1857 and 1869 was to acquire  
30 the British territory of the great central





1  
2 plain (Rupert's Land and the Northwest  
3 Territory) as a Canadian frontier region.  
4 This decision which originated in the old  
5 province of Canada was part and parcel of the  
6 Confederation plan but was not made effective  
7 until the new Dominion had been formed. Though  
8 it had political aspects of major importance  
9 its economic significance lay in the design  
10 to give to the new Dominion, hemmed in between  
11 the United States boundary heavily fortified  
12 by the Civil War customs duties and the  
13 unfriendly barrier of the pre-Cambrian Shield,  
14 a region of frontier settlement capable of  
15 rapid development and capable in return of  
16 stimulating development in other parts of the  
17 Dominion ....

18 "The first decision implied a second -- a new  
19 transportation policy. It implied the  
20 construction of a transcontinental railway.  
21 When this second decision, however, was finally  
22 given form it was not merely for a trans-  
23 continental railway but for all Canadian routes  
24 of transport. This decision meant that costs  
25 of construction were increased and that larger  
26 participation by government would be necessary  
27 .... The full significance of the decision  
28 for all-Canadian transportation routes and  
29 its relation to other national policies will  
30 not be fully appreciated unless it is







1  
2 remembered that the period in which the  
3 decision was taken was the one in which the  
4 railway was the major instrument of economic  
5 expansion and that the continent of North  
6 America, with its meagre coastal plans and  
7 vast interior basin, was the one on which  
8 railways have played their greater role. The  
9 transportation policy was designed to harness  
10 this great new instrument of economic expansion  
11 to the task of developing a Canadian national  
12 economy which, while still tied to world  
13 markets, would have some unified life and  
14 circulation within itself ....  
15 "The third decision was reached more slowly and  
16 with more hesitation. It had not like the other  
17 two been forecast at Confederation. When the  
18 so-called National Policy was translated into  
19 law in 1879 a definite decision was taken for  
20 the promotion of industrialization within  
21 Canada through the means of protective customs  
22 tariffs. This decision has been the subject  
23 of much controversy and has been frequently  
24 attacked. It has, however, never been  
25 reversed or indeed very seriously modified.  
26 Our concern here is not with the justification  
27 or merit of the decision, nor with its origin,  
28 but with its important implications for the  
29 development of a Canadian national economy."  
30 (Mackintosh, op cit pages 15-17.)





20. The lands of the great central plain were acquired by the Canadian government and were sold or given to various people for the definite purpose of establishing settlement and developing transportation between those settlers and the industrial and commercial heartland of the country. Exception has often been taken by Saskatchewan Wheat Pool and others to the method of distributing these lands at various times in the intervening 90 years. But there has been little quarrel that its over-ruling principle has been aimed at achieving the national interest. The question of supplying and maintaining transport within and into this former hinterland, now the Prairies, will be examined in greater detail with the aim of illustrating that the continuance of efficient transportation for the entire country is as vital to the prosperity of all as it was believed to be at the outset. As for the tariff question, the position of the western grain grower is well known. Saskatchewan Wheat Pool along with others has often questioned its merit. Although this is not the time or place to resume that debate, some of its facets will be examined because the whole tariff structure forms part of the framework within which both grain growers and railway operators now claim they face insurmountable difficulties.

21. The final report of that 1939 Royal Commission considered the contribution of the national policies for transport and tariffs in the development of the west as a grain growing region. It found not







1  
2 only that the west itself prospered within this framework  
3 but also that the industrial east grew and prospered  
4 because of the success of wheat in the west.

5 "The development of the Northwest within so  
6 short a time brought prosperity and rapid  
7 economic expansion to the rest of Canada. The  
8 settlement of the Prairies took place within  
9 the framework of the national policies of all-  
10 Canadian transportation and protective tariffs.  
11 The resolute application of these policies  
12 directed the growing demands for capital  
13 equipment, for manufactured goods, for  
14 distributive and commercial services into  
15 Canadian channels, thus bringing expansion  
16 in other parts of the Dominion.

17 "The construction of the railways, the  
18 deepening of the canals and the improvement of  
19 the harbors necessary to transport the  
20 increasing volume of western grain over  
21 Canadian routes, stimulated economic activity  
22 in the east and gave it a large share in the  
23 moving of western products to the markets of  
24 the world. The building of towns and cities  
25 on the Prairies, the equipment of the farms  
26 and the consumption demands of the population  
27 required a large quantity of manufactured  
28 goods. The protective tariff enabled  
29 Canadian manufacturers to capture the greater  
30 share of this new market, thus giving a





1  
2 tremendous impetus to industrialization in  
3 Ontario and Quebec, to the coal and steel  
4 industries of Nova Scotia and to the lumber  
5 industry of British Columbia.

6 "The two national policies of all-Canadian  
7 transportation and protective tariffs were  
8 closely related. The former made direct  
9 economic intercourse between the separate  
10 regions possible; the latter promoted  
11 east-west traffic; and under the stimulus of  
12 western expansion, the two together produced  
13 a remarkable degree of interdependence among  
14 the widely scattered and diverse communities  
15 of which Canada is made up. An economically  
16 loose transcontinental area was transformed  
17 into a highly integrated national economy."

18 (Report of the Royal Commission on Dominion-  
19 Provincial Relations 1940, book 1, page 68.)

20 22. While the railway was the paramount  
21 carrier at the time of Confederation it was not always  
22 so in the past and certainly has been replaced in part  
23 by other carriers since. It still remains the principal  
24 carrier of grain and for this reason Saskatchewan Wheat  
25 Pool will concentrate this analysis on railway matters.  
26 But it is pertinent to look briefly at what government  
27 has done since Confederation to encourage and assist  
28 these other media as a matter of policy and in the  
29 national interest.

30 23. The details were examined by an earlier







1  
2 Royal Commission, under the chairmanship of Mr. Justice  
3 W.F.A. Turgeon also charged with considering  
4 transportation matters. In 1951 its report recalled that  
5 one of its terms of reference was "to recommend what  
6 measures should be initiated in order that the national  
7 transportation policy may best serve the general  
8 economic well-being of all Canada." The report said  
9 then that the broad outlines of Canada's national  
10 transportation policy may be found in an examination of  
11 the "following relevant facts" which are cited here in  
12 their entirety:

- 13           "(a) The construction of the Intercolonial  
14                 Railway to enable the provinces of Nova  
15                 Scotia and New Brunswick to market their  
16                 produce in Central Canada;  
17           (b) The construction of the Canadian Pacific  
18                 Railway to unite British Columbia with  
19                 the rest of Canada;  
20           (c) The agreement to establish and maintain  
21                 continuous communication between Prince  
22                 Edward Island and the mainland of Canada;  
23           (d) The terms of union with Newfoundland  
24                 providing for the taking over of the  
25                 Newfoundland Railway and Steamship  
26                 Services and the entrustment thereof to  
27                 the Canadian National Railways, and the  
28                 agreement to maintain a freight and  
29                 passenger steamship service between Port  
30                 aux Basques and North Sydney;





(All of these policies were made part of the terms of union between Canada and the various provinces mentioned above, and indicate the importance which transportation has had in the very formation of the Confederation from the beginning in 1867 until the recent entry of Newfoundland in 1949.)

(e) The adoption by Parliament of the Crowsnest Pass agreement to ensure cheap transportation of grain from the Prairie provinces to the head of the Great Lakes on its way to foreign markets; originally this agreement applied only to lines of the Canadian Pacific Railway in existence in 1897, but Parliament subsequently made the rates statutory for all railways;

(f) The passage of the Maritime Freight Rates Act in 1927 to provide for reduced rates on westbound traffic and on traffic within the 'select area' designated by the act, the application of the act as far as appropriate to the island of Newfoundland in 1949;

(Parliament's action in these matters indicates recognition of the importance of transportation to particular areas and the possible necessity of special treatment under certain circumstances.)

(g) The construction of the National Transcontinental Railway to encourage the







- shipment of goods through Canadian ports;
- (h) The construction in Central Canada of an extensive canal system which became toll free, built at a cost of about \$328,000,000 and maintained at government expense;
- (i) The granting of substantial areas of land and subsidies to encourage and assist railway construction and the opening up of the country;
- (j) The taking over by the country in the years between 1918 - 1923 of the bankrupt railway lines and the welding of them along with government lines into the Canadian National Railways system;
- (k) The construction of Hudson Bay Railway and the development of the port of Churchill;
- (l) The subsidization of coastal shipping services and large investments in harbours and other navigation facilities;
- (m) The large investment in and operation of Trans-Canada Air Lines and assistance given to other air lines;
- (Those all indicate Parliament's close attention to and active participation in the transportation field.)
- (n) The establishment in 1903 of the Board of Railway Commissioners which in 1938 became





the Board of Transport Commissioners for  
Canada;

(o) The enactment in 1938 of the Transport  
Act providing for a degree of co-ordination;

(p) The establishment in 1944 of the Air  
Transport Board; and

(q) The establishment in 1947 of the Canadian  
Maritime Commission.

(These measures indicate Parliament's interest  
in the regulation and supervision of transport  
media.)

"All the foregoing form part of a national  
policy. They indicate the continuous concern  
of Parliament with Canada's transportation  
problems including the problem inherent in  
great distances and sparse population.

Parliament has authorized the expenditure of  
huge sums of money to overcome these  
difficulties which stood in the way of the  
country's development."

Report of the Royal Commission on  
Transportation, February 9, 1951, pages 274-  
275. (It might be observed that there have  
been some changes in the list since 1951. For  
example, tolls now are collected on some canal  
traffic in Central Canada.)

24. In addition to that imposing list,  
compiled 10 years ago, there may be added three new  
federal government ventures in support of national







1  
2 transportation.

3 (1) In 1949 Parliament and several of the  
4 provinces concluded a cost-sharing agreement for  
5 construction of a trans-Canada highway. Under the  
6 original agreement with the provinces, Parliament agreed  
7 to share construction costs on the following basis: 50  
8 per cent of the cost of approved new construction and  
9 of the cost of bringing existing roadways up to the  
10 approved new construction and of the cost of bringing  
11 existing roadways up to the approved new standard. 90  
12 per cent of the cost of constructing roadway to close  
13 vital gaps across the country where there was at the  
14 time no existing roadway nor communities for it to  
15 serve, and 100 per cent of all roadway construction  
16 within national parks. When the maximum federal  
17 contribution was increased last year the term of the  
18 agreement was extended to 1963 from 1960. By mid-1960  
19 a large portion of the roadway was completed through  
20 nine of the 10 provinces with Saskatchewan the only  
21 province to record the entire roadway completed.

22 Parliament agreed to contribute a maximum of  
23 \$350,000,000 of federal funds (later increased to a  
24 maximum of \$400,000,000) to be used jointly with the  
25 provinces in building new highway and in improving old  
26 highway to new-highway standards to create a single  
27 trans-Canada roadway. By 1960 a large portion of that  
28 road was completed in co-operation with all of the 10  
29 provinces except Quebec which has still not joined  
30 in the cost-sharing agreement. (2). In 1951 the





1  
2 Turgeon Royal Commission on Transportation recommended  
3 that "the cost of maintaining that portion of our  
4 trans-continental railway system which serves as a  
5 link or bridge between east and west be charged upon  
6 the general revenues of the country." Subsequently  
7 the federal government established an annual \$7,000,000  
8 subsidy to assist this 'bridge' freight traffic moving  
9 between east and west over the route north of Lake  
10 Superior and the Board of Transport Commissioners worked  
11 out an equalization rate formula which went into  
12 operation on March 1, 1955. (3) In 1956, Parliament  
13 enacted a bill to approve a short-term treasury loan  
14 to a natural gas pipeline company to help it in  
15 financing the Prairie portion of a pipeline to carry  
16 natural gas from the Alberta fields to Montreal.  
17 Parliament approved the loan on May 23, 1956, by a vote  
18 of 163 to 65 after one of the stormiest debates in  
19 Canadian history. Its terms provided up to \$80,000,000  
20 at five-per-cent interest to cover 90 per cent of the  
21 cost of building the 600-mile prairie section of the  
22 natural gas pipeline from Alberta to the east being  
23 undertaken by Trans-Canada Pipe Lines Limited. The  
24 entire pipeline was to run 2,200 miles. During the  
25 debate government members claimed there was an urgency  
26 arising partly from the fact the company had an option  
27 "on the only adequate supply of 34-inch pipe available  
28 for delivery in time for laying during the 1956  
29 construction season." Another was the fact that some  
30 American pipeline promoters were planning a natural







1  
2 gas pipeline which could eventually threaten the  
3 Canadian market in both the prairie region and in the  
4 east. In the debate, the then Prime Minister, Rt.  
5 Hon. Louis St. Laurent, said in connection with the  
6 argument over the government's method of getting the  
7 loan approval through the House, that"... if we believe  
8 as we do, that this is something that should be done  
9 now in the interests of the Canadian people, can we  
10 shirk whatever distasteful responsibility we have to  
11 take in order to get the matter before Parliament in  
12 time for it to make a proper decision that can be  
13 implemented?"

14 The enactment was to provide up to  
15 \$80,000,000 to cover 90 per cent of the cost of that  
16 portion of the line. the pipeline was eventually  
17 completed in 1958 and the entire government loan was  
18 repaid to the treasury on the basis of the agreement.  
19 It is not necessary to pass judgment on the merit of  
20 these federal measures to make the point that Parliament's  
21 concern for transportation development in what Parliament  
22 considers to be the national interest is as prominent  
23 today as it was in 1867.

24 25. In considering how best Parliament might  
25 serve the general well-being of all Canada by its  
26 national transportation policy, the 1951 Royal  
27 Commission made this general comment:

28 "In so far as Parliament can regulate and  
29 control transportation, the object should not  
30 be confined to the rather negative work of





1  
2 correcting abuses, but should reach out to the  
3 positive constructive task of developing  
4 adequate and efficient transportation services  
5 and of 'co-ordinating and harmonizing' the  
6 services in the public interest. The regulation  
7 of railways can best be exercised by combining  
8 it with the regulation of other agencies of  
9 transportation. It is true that Parliament's  
10 lack of jurisdiction over intra-provincial  
11 transportation presents a major obstacle to the  
12 full attainment of this desirable object. It  
13 is, of course, permitted to hope that the  
14 provinces will some day agree to co-operate  
15 with the federal authority in the carrying out  
16 of a common policy of co-ordination. Until  
17 that day comes, however, there is no reason  
18 why Parliament should not proceed as far as  
19 its authority extends towards the establishment  
20 of a national transportation system functioning  
21 under the control and regulation of an  
22 efficient supervisory board. The several  
23 means of transportation -- railways,  
24 waterways, airways (highways), and now  
25 pipelines -- are distinct agencies that are  
26 inseparably inter-related. They should be so  
27 regulated as to serve not only individually  
28 but collectively in meeting the country's  
29 needs." (Report of 1951 Royal Commission on  
30 Transportation, page 279.)







1  
2 26. On this general question of positive  
3 government participation is an overall way the  
4 Saskatchewan Wheat Pool will have something to say at  
5 a later point in this submission. At this stage, the  
6 positive action Parliament has already taken in railway  
7 development will be examined, with emphasis on actual  
8 railway building into and within western Canada.

9 27. The urgency of completing a railway link  
10 between the eastern provinces and the Pacific colony of  
11 British Columbia figured prominently in the debates  
12 preceding Confederation. It was an urgency dictated  
13 partly by the fear that the British colony would join  
14 with the United States and partly by the fear that the  
15 United States railway builders would extend their lines  
16 northward into the unsettled Prairie land between the  
17 east and the Pacific. American economic conquest of  
18 that region could certainly be expected to lead to its  
19 political integration with the states. For a detailed  
20 analysis of the urgency for a rail link between the east  
21 and the Pacific see Fowke, op cit, chapter 4.

22 28. On this apparent threat from the south,  
23 Professor Vernon Fowke, University of Saskatchewan  
24 economist, said in his analysis of the National Policy  
25 and the Wheat Economy that:

26 "At every stage of the evolution of the  
27 Canadian national design, American economic  
28 expansion and railway construction established  
29 the competitive goals and set the pace for  
30 Canadian planners, particularly in regard to  
the west." (Fowke, op cit, page 42)





29. At any rate after several pre-Confederation attempts at rail building in the west, the Canadian Pacific Railway Company was eventually chartered in 1881 and charged with completing the rail link with the Pacific. The CPR company was granted a basic subsidy of \$25,000,000 and 25,000,000 acres of land. The company was allowed to select where the land would be on the basis that it consider it "fairly fit for settlement." There were a variety of other concessions in the original agreement: free land of its own choosing for construction of the main and branch lines, stations, workshops and other required facilities; duty-free provisions for materials used both for the railway lines themselves and the telegraph service; permission to construct and operate branch lines and to engage in inland and ocean shipping: freedom for 20 years from a competitive rail line south of that route; and tax exemption "forever" by federal, provincial or municipal governments for all its stations, yards, workshops "and other property", rolling stock and the capital stock of the company. In addition the 25,000,000 acres of land were freed from taxation, until sold or occupied, for 20 years. Aside from all this the Canadian government agreed to build certain sections of the line at public expense and to give them to the CPR company along with other government-owned lines already operating. These lines totalled 713 miles and cost the government \$37,785,320. (Ibid, page 49, citing the Report of the Royal Commission







1  
2 to inquire into Railways and Transportation in Canada,  
3 1917.)

4 30. What all these grants and concessions  
5 have meant to the CPR company during the years is not  
6 readily calculable. It is a never-ending account and  
7 many of the returns from sale or rental of these lands  
8 themselves and their related mineral and petroleum  
9 rights still accrue to the company. For example,  
10 CPR income from the sale of land alone totalled  
11 \$153,964,233 in the years up to 1930 by which time it  
12 was recorded that 16,044,880 acres had been sold at an  
13 average price of \$9.53 an acre. In its 1958 annual  
14 report the CPR listed at \$4,682,211 the income from the  
15 sales of lands and townsites for that one year. Another  
16 item in the 1958 annual report showed net income at  
17 \$6,828,123 from petroleum rentals, royalties,  
18 reservation fees and land rents. There is continuing  
19 dispute between the CPR and various municipal governments  
20 across the west about the annual amounts the CPR will  
21 pay these municipalities in lieu of annual taxes on CPR  
22 property in return for municipal services provided to the  
23 railway company. Although there have been a variety of  
24 modifications in CPR net relief from the taxation burden  
25 the fact remains that the tax exemption provisions have  
26 been substantially unchanged through the years.

27 31. Another factor arises indirectly from  
28 the dual success of the interdependent policies of  
29 railway construction and tariff protection. While the  
30 one encouraged settlement in the west and development





1  
2 of the Prairie grain-growing industry the other  
3 stimulated industrialization of the east literally at  
4 the expense of any similar industrialization of the  
5 west. On this question Professor Fowke had some  
6 observations worth recording here.

7 "The industrialization of Central Canada is  
8 not, of course, solely due to the protective  
9 tariff. The central provinces have great  
10 natural advantages over other parts of the  
11 Dominion for industrial activities and for  
12 certain types of development they alone  
13 possess the necessary conditions.  
14 Nevertheless, regional specialization rests  
15 on acquired as well as natural advantages.  
16 Of two regions, the one with a prior start  
17 in industrialization may, because of that  
18 fact alone, have a permanent superiority  
19 over the other. For decades after the  
20 national policy of protection began to foster  
21 manufacturing in the central provinces  
22 the Prairie provinces were without industry  
23 to foster. The lack of industrialization  
24 in the west today is due in part to the  
25 impossibility of achieving competitive  
26 competence as against eastern industries  
27 long since established with the aid of  
28 protection.  
29 "When representatives of the Prairie provinces  
30 point out the unequal regional impact of the







1  
2 tariff structure it is commonly argued in  
3 reply that tariffs and railways go together  
4 in the national policy and that the effects  
5 of the one cannot be analysed apart from the  
6 other. Western development of any extent  
7 would obviously be impossible without railway  
8 facilities and, so it is argued, the tariff  
9 structure assures the east-west movement of  
10 goods, which, in turn, serves as the paying  
11 traffic for the Canadian railway system.  
12 "Without the tariff the Canadian system of  
13 railways would be wholly uneconomical. It  
14 would be incorrect to assume, however, that  
15 the Prairie provinces would be without  
16 adequate railway facilities had the Canadian  
17 transcontinentals and their feeder systems  
18 not been built. One of the chief concerns  
19 of the early railway policy of the Dominion  
20 government was the exclusion of American  
21 railways from Canadian territory to the west  
22 of the Great Lakes. The management of the  
23 Northern Pacific and Great Northern Railways  
24 stubbornly persisted, from the 1860's till  
25 the end of the century, in their attempts  
26 to build into the Canadian territory both  
27 on the plains and in the mountains. Their  
28 aim was to draw the whole western Canadian  
29 region into their commercial and general  
30 economic orbit. The national policy of





1  
2 of tariffs and railways was successful in  
3 preventing this absorption. As far as the  
4 western provinces are concerned, therefore,  
5 Canadian railways are expensive alternatives  
6 to American railways rather than to no  
7 railways at all." (Fowke, op cit, page 68.)

8 32. Saskatchewan Wheat Pool cites this  
9 portion of Professor Fowke's analysis in detail because  
10 it appears to raise the question about the relative  
11 gains of the east and the west from the national  
12 railway policy within which the CPR main line to the  
13 west was constructed. It is the contention here that  
14 this whole question is basic to any consideration of  
15 who should pay for railway deficits claimed in the  
16 operation of western lines. The CPR main line was  
17 built as a matter of national policy for the express  
18 purpose of creating a unified nation and for creating  
19 an economic frontier for the benefit of all of its  
20 parts -- those who were likely to prosper on the  
21 frontier itself and those elsewhere who expected to  
22 prosper because of it.

23 33. Because of the interdependence of both  
24 east and west upon the success of western settlement,  
25 which the record shows has been great from the outset,  
26 it can hardly be argued now that either one or the  
27 other of the two parts should be held responsible for  
28 the financial difficulties of any part of the frame-  
29 work within which they both found the expected  
30 prosperity. The responsibility at the outset was







1  
2 national, the gains in the years from then until now  
3 have been national and the responsibility today  
4 remains national.

5 34. One of the national responsibilities  
6 undertaken at the outset, as the above analysis has  
7 shown, was the building of a railway through the  
8 western plains to the Pacific. Another was the  
9 guarantee that the movement of grain grown on that  
10 western plain should be protected as to costs of  
11 transport on its way from farm to export position.  
12 Before this Royal Commission the railways have challenged  
13 that protection which since 1897 has guaranteed low  
14 freight rates on the movement of grain from Prairie  
15 points into export positions. The joint railway  
16 submission made its challenge in these terms:

17 "In the submission of the railways it is  
18 clear that inadequate revenues from the  
19 movement of the western Canadian grain crop  
20 to export positions is contrary to the public  
21 interest and the solution of the problem  
22 created by the fixed rates on this traffic  
23 is basic to a solution of problems  
24 relating to railway transportation in Canada."  
25 (Joint submission the Canadian National  
26 Railways and Canadian Pacific Railway to  
27 the Royal Commission on Railway Transportation  
28 (sic) in Canada, mimeographed, Montreal, Oct.  
29 12, 1959, pages 34-35.)

30 35. With completion in 1885 of the CPR rail





1  
2 link between the east and the Pacific, attention was  
3 turned toward extending the rail to tap the developing  
4 mineral area in the Kootenay Valley of south British  
5 Columbia. In the 1860's and again in the 1880's rich  
6 deposits were located in this area whose natural  
7 communication was to the south along the deep mountain  
8 valley which ran into the United States. American  
9 railroad builders were after extensions of their own  
10 into this Canadian region.

11 36. From 1889 to 1896 CPR directors took  
12 action on their own to acquire access to the Kootenay-  
13 Columbia territory and to establish rail connection with  
14 their existing shipping operations on the interior  
15 B.C. lakes. The CPR company's annual report of 1889  
16 said:

17 "To prevent the invasion by foreign lines of  
18 the Kootenay district in British Columbia --  
19 a district rich in precious metals and other  
20 natural resources -- your directors have  
21 secured control of the charter of the Columbia  
22 and Kootenay Railway Company, and agreed with  
23 the provincial government (of British  
24 Columbia) that the railway shall be built,  
25 about thirty miles in length, during the  
26 present season, to connect the navigable  
27 waters of Kootenay Lake with those of the  
28 Columbia River, thus opening a line of  
29 steamboat and railway communications of more  
30 than 250 miles ..." (CPR annual report for







1889, page 12. (the matter in paranthesis is added for clarification.)

37. The main line of the CPR passed a considerable distance to the north of this Kootenay Valley region and without further extensive railway building the region could not be joined to the established east-west rail line. Interest soon settled on making that connection through Cornest Pass near which was found a good deposit of coking coal, necessary to the smelting process of the time. The Crownest district is on the eastern boundary of British Columbia. There were a variety of interests pressing for development of the area and events indicated government action in the matter. In 1896 the CPR annual report said:

"The interests of the country at large are so much concerned in this question that your directors confidently expect reasonable assistance at the hands of the Dominion government." (CPR annual report for 1896, page 10.)

38. There is little question that the matter of a railway line through Corwsnest Pass was under CPR consideration for some time before the government assistance arrived in 1897. The line might have been built without government support but it would certainly have taken longer and in the race to beat a competitor time is a major factor. On this question of timing Sir Clifford Sifton, who as Minister of the Interior





1  
2 after 1896 was charged with executing the new,  
3 aggressive immigration policy, had recollections in  
4 the years afterwards. In a letter to the press of  
5 Canada, Sifton wrote in 1929:

6 "I remember when as a young minister in  
7 Laurier's cabinet Van Horne and Shaughnessy  
8 said a line into the Kootenay mining district  
9 would not be considered for 15 years. Also  
10 I remember that within six weeks the same  
11 two gentlemen came into my office and said  
12 they had to build this line and wanted a large  
13 bonus for doing it, that the CPR was on the  
14 verge of bankruptcy. We gave them this bonus  
15 against the public sentiment of two-thirds  
16 of the people of Canada. They built the line  
17 and the Kootenay mining development saved  
18 the CPR, and saved a good many other things  
19 in Canada." (Dafoe, John W., Clifford  
20 Sifton in Relation to his Times, press letter  
21 cited in footnote to page 146. Van Horne and  
22 Shaughnessy were principal officers of the  
23 CPR company.)

24 39. During the discussion and planning  
25 stage the CPR went ahead in its acquisition of other  
26 rail links in the region. About one of them the  
27 CPR annual report for 1897 said:

28 "Arrangements have been completed, subject  
29 to the approval of the Dominion Parliament,  
30 whereby your company may acquire the Columbia







1  
2 and Western Railway extending from Robson to  
3 Rossland (33 miles) for the sum of \$800,000.  
4 With this property will be acquired the  
5 smelting works at Trail Creek and about  
6 270,000 acres of land in the vicinity, these  
7 being included in the purchase named.

8 "Rossland having become the principal mining  
9 centre in British Columbia it was necessary  
10 either to build an independent line to that  
11 place or acquire the Columbia and Western,  
12 and the latter was clearly the wiser course."

13 (CPR annual report for 1897, page 18.)

14 40. In 1897 the CPR company entered an  
15 agreement with the Dominion Parliament to build the  
16 line from Lethbridge, Alberta, to Nelson, B.C., passing  
17 through the Crownest Pass. Its total distance was  
18 330 miles. In the final agreement the CPR got a cash  
19 subsidy of \$11,000 a mile up to a maximum of  
20 \$3,630,000 from the Dominion and a land grant of  
21 3,755,733 acres from the British Columbia provincial  
22 government for that portion of the line within B.C. on  
23 the undertaking that the company convey to the  
24 Dominion 50,000 acres of the coal-bearing lands. It  
25 also received some tax exemption on the B.C. lands. As  
26 a matter of record the CPR received a total of  
27 \$3,404,720 in cash and eventually conveyed the  
28 required acreage of coal-bearing lands to the  
29 Dominion. (Report of the Royal Commission on  
30 Transportation (1951) page 239. See also CPR





1  
2 submission to this Royal Commission, Quebec, Oct. 14,  
3 1959, at page 5.)

4 41. On the other side of the coin the CPR  
5 agreed to certain government control over rate charges,  
6 the main two of which may be stated as follows:

7 (1) Reduction in perpetuity of general rates  
8 and tolls charged at the time on a selection of goods  
9 moving west from the Lakehead and also between the  
10 east and the Lakehead. The list contained green and  
11 fresh fruits, coal oil, cordage and binder twine,  
12 agricultural implements of all kinds, iron including  
13 sheets, pipes, nails and horseshoes, wire, window  
14 glass, building paper, roofing felt, paint, livestock,  
15 wooden ware and household furniture. The reductions  
16 ranged from 10 to 33 1/3 per cent in the current rates  
17 and were to become effective by January 1, 1898.

18 (2) Reduction in perpetuity by three cents  
19 a 100 pounds in existing tolls on all grain and flour  
20 "from all points on its main line, branches or  
21 connections west of Fort William to Fort William and  
22 Port Arthur and all points east..." These reduced  
23 rates for grain and flour were to take effect between  
24 September 1, 1898, and September 1, 1899.

25 42. The reductions mentioned in the first  
26 section above were eventually discontinued but those  
27 in the second, known generally as the Crownest Pass  
28 rates for Prairie grain, remain unchanged to today  
29 and form part of the framework within which the  
30 western provinces developed their grain-growing







1  
2 industry.

3 43. Historically, the Crownest Pass grain  
4 rates remained undisturbed until 1918 when the  
5 Dominion government under terms of its War Measures  
6 Act suspended them for three years largely to give the  
7 railways an opportunity to recoup heavy losses because  
8 of the effort during the First World War. They were  
9 returned in 1922 when the suspension expired. In 1925  
10 Parliament amended the Railway Act under which the  
11 original agreement had been executed to release the  
12 CPR from the agreed obligation of accept lower rates  
13 on the goods mentioned in section one above. That 1925  
14 amendment reaffirmed the Crowsnest Pass rate structure  
15 for Prairie grain and gave statutory recognition to the  
16 principle of low rates for traffic in grain moving to  
17 export and extended its application to all railways and  
18 for grain moving from all Prairie points.

19 44. There is dispute about what the CPR  
20 company received or gained in construction of the  
21 Crowsnest Pass line. In actual cash it received the  
22 federal subsidy of \$3,404,720 which the railway was  
23 about one-third of the actual cost of constructing the  
24 line. It received the 3,755,733 acres of British  
25 Columbia land in consideration for construction of  
26 the 187.79 miles of the line between the Alberta-B.C.  
27 border and Kootenay Landing which the CPR states was  
28 completely disposed of at a net gain to the railway  
29 company of only \$1,834,498. And it received certain  
30 taxation exemptions from the B.C. provincial government





1  
2 and B.C. municipal governments on the granted land  
3 and other property used for the railway line within  
4 B.C. for a period of 10 years after completion of the  
5 line. Those gains were relatively small and are  
6 readily available on the record.

7 45. But there was in addition the acquisition  
8 of the smelter at Trail Creek which during the years  
9 has become one of the largest mining operations in the  
10 world and of considerable revenue importance to the  
11 CPR company. The company states, and has stated many  
12 times, that this acquisition was incidental to the  
13 railway construction of the Crowsnest Pass line but  
14 others are not so definite in their views on this  
15 question. The late Harold A. Innis, economic historian  
16 whose work on transportation matters is of major  
17 importance, said:

18 "A smelter such as that at Trail, built in  
19 relation to ores with high gold content and  
20 dependent on relatively smaller mines, was  
21 forced to protect itself against signs of  
22 exhaustion by acquiring control of, and  
23 amalgamating mines and by introducing more  
24 efficient methods of mining, just as the  
25 Canadian Pacific Railway had been forced to  
26 assume control of the railways and the  
27 smelter as a means of reducing overhead  
28 costs. With a single directing organization  
29 in control, namely the Canadian Pacific  
30 Railway, determined attempts were made to  
exploit mines systematically and to develop







1  
2 large ore bodies of relatively low-grade  
3 ore. The enormous overhead costs of the  
4 railway and the smelter necessitated  
5 systematic development work in the mines of  
6 the region..." (Innis, Harold A., Settlement  
7 and the Mining Frontier, page 314.)

8 46. Saskatchewan Wheat Pool submits that  
9 the operation of that Trail smelter, which grew in the  
10 years to become the present Consolidated Mining and  
11 Smelting Company, was an integral part of the CPR's  
12 operation of the Crownest Pass railway line and  
13 contributed directly to its success. There is no  
14 intention to claim that total income from that smelting  
15 operation through the years should be considered directly  
16 as railway income. On the other hand contrary claims  
17 that income from the smelting operation were unrelated  
18 or incidental to the railway operation are equally  
19 unrealistic. A study of CPR annual reports between  
20 1935 and 1959 indicate that in those years the CPR  
21 received in dividend payments from the Consolidated  
22 Mining and Smelting Company a total of \$222,174,125.  
23 The CPR operation of the railway line and the CPR  
24 operation of the smelting company were part and parcel  
25 of the Crownest Pass venture and remain related today.

26 47. Throughout this submission there is a  
27 thread connecting railway building and operation to the  
28 development and operation of other economic ventures  
29 one of which is the development and continuance of the  
30 grain-growing industry of the Prairie region. Both





1  
2 the CPR's main line and the CPR's Crowsnest Pass line  
3 were built because the government of the day thought  
4 they should be built and they were each supported by  
5 public funds. Neither the railway people nor the  
6 government people were able to foresee the trend of  
7 events exactly as they have turned out. But they each  
8 had much vision and much hope. The two, the government  
9 and the railway, have been partners from the outset  
10 and they must in all logic be considered partners on  
11 both sides of the ledger.

12 48. Another question arising from the 1897  
13 agreement to construct the Crowsnest Pass railway line,  
14 about which there has been much legal dispute, has  
15 been whether the original railway agreement to carry  
16 Prairie grain at special freight rates was ended in  
17 1925 when the Railway Act was amended. That question  
18 was considered by the government when it directed the  
19 Board of Transport Commissioners to investigate railway  
20 rate structures at the time the Railway Act was amended.  
21 In its direction to the Transport Commissioners, the  
22 committee of the privy council which was in fact the  
23 cabinet of the government of the day, said:

24 "The committee are further of the opinion  
25 that as the production and export of grain and  
26 flour forms one of the chief assets of the  
27 Dominion, and in order to encourage the  
28 further development of the great grain  
29 growing provinces of the west, on which  
30 development the future of Canada in large







1  
2 measure depends, it is desirable that the  
3 maximum cost of the transportation of these  
4 products should be determined and known, and  
5 therefore are of the opinion that the  
6 maximum established for rates on grain and  
7 flour as at present in force under the  
8 Crowsnest Pass agreement, should not be  
9 exceeded.? (Judgment of the Board of  
10 Transport Commissioners, Volume 15, No. 10,  
11 page 251.)

12 49. It was following that investigation that  
13 the Transport Commissioners ruled that the existing  
14 Crowsnest Pass grain rates should be extended to apply  
15 also to grain and flour moving from Prairie points to  
16 export positions at Prince Rupert and Vancouver as well  
17 as to the Lakehead.

18 50. At the time of the last Royal Commission  
19 on Transportation the railways asked that the Crowsnest  
20 Pass grain rate provisions be repealed. In its report  
21 that Commission said:

22 "The conclusion which recommends itself to  
23 the Commission is that the time has not come  
24 for Parliament to divest itself of the  
25 immediate control of these rates which it  
26 assumed in 1897. Such a time may come later  
27 with the evolution of the country's economic  
28 position but it seems certain that it has  
29 not yet come in this case. On the contrary,  
30 it would be against the national interest  
at this moment, in view of the uncertainties





1  
2 which exist in world affairs, and  
3 consequently in world market prospects, to  
4 subject this great export industry to the  
5 disturbance which the abandonment of  
6 statutory protection would undoubtedly cause.  
7 This abandonment would mean that Parliament  
8 no longer looks upon western Canada's  
9 production of grain for export as an  
10 industry requiring special consideration in  
11 the national interest. There is no doubt  
12 that the effect of such a measure at this  
13 time would be particularly unfortunate."

14 (Report of Royal Commission on  
15 Transportation (1951), page 249.)

16 51. Although the reduced rates for carrying  
17 Prairie grain to export positions were in fact  
18 established at the time the Dominion made an agreement  
19 to help the CPR finance a particular section of railway  
20 construction there is no evidence to indicate a similar  
21 rate structure for Prairie grain would not have been  
22 established quite apart from the Crosnest Pass  
23 railway line. It is coincidental that the two  
24 happened at the same point of time and were established  
25 in the one agreement. On the other hand, there is  
26 ample evidence both on the record and in the writings  
27 of observers and analysts (many of which have been  
28 cited here) to indicate the Dominion would have had  
29 to make just such a provision for low rail rates on  
30 export grain to encourage the growing of major







1  
2 supplies of grain in the Prairie region. In fact, the  
3 provision -- also in the same Crowsnest Pass agreement  
4 -- for low freight rates on the variety of settlers  
5 goods moving westward from the east indicates an  
6 awareness at the time of the extreme burden of heavy  
7 transportation charges on early settlement of the  
8 Prairies. From Regina to the Lakehead, for example,  
9 the CPR main line mileage is about 775 miles and from  
10 Montreal to Regina it is about 1,765 miles. The  
11 subsequent Dominion action in 1925 of giving statutory  
12 recognition to this grain-rate structure and the great  
13 volume of supporting testimony in the years since only  
14 serve to indicate the importance with which all  
15 governments have viewed this freight concession. It  
16 has been of more importance to total Canadian development  
17 than would be indicated from its origin as part of an  
18 agreement concerning construction of what might be  
19 termed a railway branch line.

20 52. Saskatchewan Wheat Pool contends that  
21 the continuation of low freight rates on Prairie grain  
22 moving to export position is basic to the continuation  
23 of a successful grain-growing industry on the Prairies.  
24 The point is not whether those low rates are maintained  
25 under an 1897 agreement or under legislation of 1925 but  
26 that they be retained. In parliamentary debates down  
27 through the years governments have restated that  
28 principle and rejected any and all arguments to the  
29 contrary. Only this year while this Commission was  
30 sitting ministers of the government have again restated





1  
2 their acceptance of that principle. During debate  
3 in the House of Commons on June 28, 1960, Transport  
4 Minister Hees said among other things that: "I said  
5 that a year ago the Prime Minister stated in this  
6 House that the Crowsnest rates would not be tampered  
7 with and when the leader of this party makes a  
8 statement, that statement stands." Later in the same  
9 exchange, Mr. Hees said: "That is exactly the way  
10 the situation stands at the present time. The Prime  
11 Minister said they will not be tampered with and they  
12 will not be tampered with." (Hansard, Vol. 104, No.  
13 112, June 28, 1960, page 5483.)

14 53. In summary, Saskatchewan Wheat Pool  
15 submits:

16 (1) The new Dominion set about soon after  
17 1867 a definite policy of tariff protection  
18 and railway building towards creating a  
19 transcontinental nation.

20 (2) Western expansion and the growing of  
21 grain on the Prairies stimulated eastern  
22 industrialization within this framework,  
23 creating a highly integrated economy.

24 (3) While rail was the paramount carrier  
25 at the time of Confederation and remains so  
26 today for the movement of grain it is only  
27 one of the many media of transportation  
28 supported by government during the years  
29 as a matter of policy and in the national  
30 interest.







1  
2 (4) The Canadian Pacific Railway company  
3 received from the federal government immense  
4 land grants and other concessions for the  
5 building of its lines to and within the west.  
6 Many of these benefits continue today,  
7 bringing considerable annual revenues to the  
8 railway company. Of the obligations the CPR  
9 company accepted at various times only that of  
10 carrying Prairie grain at Crownest Pass rates  
11 remains today. It is a poor argument today  
12 to claim that the one remaining obligation  
13 is burdensome while no accounting is taken of  
14 the many and continuing benefits and  
15 advantages acquired at the time that  
16 obligation was accepted.

17 (5) Regardless of the nature of the burden  
18 of the obligation of continuing to carry  
19 Prairie grain for export at reduced freight  
20 rates, the onus of correcting the burden if in  
21 fact there is proven to be one, rests with  
22 the government of Canada and not with the  
23 grain growers of the west.  
24  
25  
26  
27  
28  
29  
30





III WHEAT AND THE ECONOMY

54. The Canadian Pacific Railway main line to the west was completed in 1885 but at first its impact on western settlement was slow. By the 1891 census (see Table A in statistical appendix for population details) there were still fewer than 250,000 persons living west of Ontario although in the first two decades after Confederation the total population of the country had increased to 4,833,239 from 3,689,257. In the second two decades the phenomenal settlement of the west took place, boosting to more than 1,700,000 the population of the four western provinces. By the 1911 census the total population of the country had risen by something like 2,500,000 to more than 7,000,000 indicating that the west shared the major portion of that increase.

55. Professor W. A. Mackintosh considered the slowness of the western settlement after the advent of the CPR and pointed up the factors which turned the tide after the beginning of the 20th century in his economic background analysis for the 1939 Royal Commission on Dominion-Provincial Relations. This is how he put it:

"Canadian hopes were fixed on prairie settlement and expansion. Here certain specific factors turned favorable. After the railway had been provided, settlement was held back by high







1  
2 transportation costs in relation to the  
3 price of wheat, the chief plant, other than  
4 native grasses, sufficiently drought-  
5 resistant to flourish. It was held  
6 back also by the deficiency of rainfall and  
7 the short growing season characteristic  
8 of the prairie region. By 1900 the  
9 development of the dry-farming technique  
10 of summer-fallowing and the adoption of  
11 Red Fyfe wheat had gone far to overcome  
12 the last two obstacles. After 1896 the  
13 rise in the Liverpool price of wheat in  
14 the face of the continuance of the long fall  
15 in transportation costs from 1873 to 1904  
16 removed the other. Western expansion began  
17 in earnest.  
18 "There were other forces of expansion as  
19 well. Mining developments in the Kootenay  
20 district of British Columbia, the discovery  
21 of the Sudbury nickel deposits and the small  
22 beginnings of the pulp and paper industry  
23 added their stimulus. The Klondye gold  
24 rush gave both a real and a psychological  
25 impetus to investment. But the driving  
26 force behind the new period was wheat and the  
27 wheat-growing region. It gave an economic  
28 unity to the country not hitherto experienced  
29 and built up a degree of interdependence  
30 between its different regions which was in





1  
2 sharp contrast to the isolation of the  
3 separate economic regions which had united  
4 in 1867."

5 (The Economic Background of Dominion-Provincial  
6 Relations, Appendix 3, 1939, page 23.)

7 Another writer considered the same situation  
8 in a different light. R. D. Colquhette, a farm paper  
9 editor writing twenty years later, said:

10 "There came a change."

11 THE CHAIRMAN: He came from Manitoba, I  
12 think.

13 THE WITNESS: I think he was a writer for  
14 the Winnipeg Free Press -- no, I am wrong, it was for  
15 what was then the Grain Growers' Guide.

16 "There came a change. The long depression  
17 which had hung over agriculture began to  
18 lift. Wheat prices, which had been de-  
19 clining since 1873, began to improve.  
20 The time to people the Canadian plains had  
21 arrived. A vigorous immigration policy tapped  
22 the surplus populations of southern and  
23 eastern Europe. The stream of migrants  
24 from the British Isles increased to a  
25 torrent."

26 I was one of them.

27 "The westward march of settlement across the  
28 American plains had reached its limit but  
29 Americans had not lost their pioneering  
30 spirit. The lure of new land attracted







1  
2 thousands of farmers from the Middle West  
3 northward across the border. All these were  
4 added to the swelling tide of native Cana-  
5 dians streaming west instead of south in  
6 search of opportunity.

7 "In the tick of a clock, historically  
8 speaking, half a dozen cities, scores of  
9 towns and hundreds of villages and hamlets  
10 mushroomed over the prairies. Two great  
11 railways were added to the Canadian Pacific  
12 and the country was netted with branch  
13 lines. Two new provinces were created.  
14 And the great underlying and overriding  
15 cause of it all was wheat."

16 (Colquette, R.D., The First Fifty Years (Public Press  
17 Limited, Winnipeg), 1957, the history of United Grain  
18 Growers Limited, Page 4. Mr. Colquette was for a  
19 long time editor of the Country Guide, the Grain  
20 Growers' monthly farm paper.)

21 57. In the census of 1901 there were 255,211  
22 residents of Manitoba, 91,279 in the area to become  
23 Saskatchewan and 73,022 in the area to become Alberta.  
24 The two new provinces were formed in 1905. By the  
25 1911 census Manitoba recorded 461,394 residents,  
26 Saskatchewan 492,432, and Alberta 374,295. Between  
27 1901 and 1911 immigration totalled 331,288, the  
28 highest 10-year immigration in Canadian history.  
29 In that same 10-year period the area of occupied farms  
30 increased to 108,968,715 from 63,422,338 acres and the





1  
2 cultivated acreage to 48,733,823 from 30,166,033.

3 58. In the 10 years between 1911 and 1921 the  
4 growth of the west was even more rapid. Manitoba  
5 increased in population to 610,118 from 461,394,  
6 Saskatchewan to 757,510 from 492,432, and Alberta to  
7 588,454 from 374,295. That was an increase in the  
8 three prairie provinces of nearly 628,000 persons while in  
9 the same period the total Canadian population rose to  
10 8,787,949 from 7,206,643 for an increase of some  
11 1,581,000. In that decade the area of occupied farms  
12 increased to 140,887,903 from 108,968,715 acres and  
13 the cultivated acreage to 70,769,548 from 48,733,823.

14 59. At the last count in 1956, Manitoba population  
15 was 850,040, Saskatchewan 880,665 and Alberta's  
16 1,123,116; the total Canadian population was 16,080,791;  
17 the area of occupied farms was 173,923,691 acres and  
18 the total cultivated acreage was 100,326,243.

19 The increase in prairie population continued  
20 through the 1920's with a total increase for the three  
21 prairie provinces in the 10 years to 1931 of nearly  
22 600,000 but after that the rate of increase decreased  
23 sharply. In the decade to 1941 the prairie increase  
24 was less than 70,000 and in the 10-year period to 1951  
25 it was only 125,000 despite the postwar boom in immi-  
26 gration which recorded more than 194,000 immigrants in  
27 that decade.

28 60. What did this settlement boom mean in terms  
29 of real growth (see Table B and E, Statistical summary  
30 of the Progress of Canada, Canada Year Book, 1959 )







1  
2 for the Canadian economy? Between 1901 and 1921  
3 the total population of Canada increased by something  
4 like 3,400,000 of whom more than 1,600,000 were in  
5 the three prairie provinces. As consumers alone  
6 these 1,600,000 additional persons contributed much  
7 to industrial expansion back east. For example,  
8 the gross value of the products of Canadian manufactur-  
9 ing firms which were valued in 1901 at \$481,053,375  
10 had by 1921 increased in value to \$2,488,987,148.  
11 In that 20-year period the total deposits of chartered  
12 banks increased to \$2,264,586,736 in 1921 from  
13 \$349,573,327 in 1901. The federal government's  
14 total receipts from taxation increased by 1921 to  
15 \$368,770,498 from \$38,612,196 in 1901 with the per  
16 capita increase in that period rising to \$43.10  
17 from \$7.28. In these financial matters the people  
18 of the prairies made a major contribution by virtue  
19 of the very fact they were on the prairies going  
20 about establishing new settlements and a new industrial  
21 complex geared to the growing of wheat.

22 61. As for their contribution as producers a  
23 brief look at export figures (see Table C, detail of  
24 leading exports from 1890 to 1939, and Table D,  
25 similar detail from 1939 to 1957) indicates how great  
26 it was. In 1900 the value of wheat exported was  
27 \$11,995,488 compared that year with more than  
28 \$22,000,000 for planks and boards, \$13,600,000 for  
29 meats and \$10,500,000 for fish. By 1910 wheat had  
30 surpassed them all in dollar value and by 1920 had





1  
2 risen to \$185,045,806. Meat exports in 1920 were  
3 second in dollar value at \$96,161,234 followed by  
4 planks and boards valued at \$75,216,193 and newsprint  
5 valued at \$53,640,122. Since 1910 wheat has been one  
6 of the top two Canadian exports in terms of dollar  
7 value. It remained in the lead until late in the  
8 decade of the 1930's and since has placed second to  
9 newsprint. In 1957 newsprint exports were valued  
10 at \$715,490,000 while wheat and wheat flour exports  
11 were valued at \$441,590,000, together accounting for about  
12 a quarter of total Canadian exports of \$4,839,094,000.

13 (Table E, statistical summary of the progress of  
14 Canada, Canada Year Book 1959, Page 1252. See also  
15 export details Page 1011).

16 62. A recent government statement contains a  
17 pertinent assessment of the place of agriculture as  
18 an industry in the total Canadian economy. A paper  
19 prepared by the federal agriculture department for  
20 presentation to a committee, established under the  
21 General Agreement on Tariffs and Trade, to consult  
22 on the agricultural policies of member governments and  
23 their effect on trade at Geneva in April, 1960, said:

24 "The structure of Canadian agriculture and  
25 its place in relation to the national  
26 economy is in process of continuous and  
27 rapid change. About 15 per cent of our  
28 total population of 17.5 million live on  
29 farms. At the present time, of a total  
30 labour force of 6,200,000, nearly 700,000 or







1  
2 11 per cent, are engaged in farming. In  
3 common with other countries experiencing  
4 rapid industrialization, the absolute and  
5 relative numbers of people dependent on  
6 agriculture for a living have declined; in  
7 the middle of the nineteen forties, 25 per  
8 cent of the Canadian population lived on farms  
9 and over one million persons worked in  
10 agriculture.

11 "Notwithstanding this decrease in farm  
12 population, there has been a significant in-  
13 crease in agricultural production. Total  
14 farm area has been practically stable for  
15 the past two decades at about 174 million  
16 acres, but there has been a modest increase  
17 in the area of improved land (about nine per  
18 cent between 1941 and 1956) coupled with a  
19 continuing trend towards larger farms. Our  
20 average farm size is now somewhat over  
21 300 acres; in 1941 it was 256 acres. In  
22 the prairie region, the average farm size  
23 has increased by over 100 acres; from  
24 440 acres in 1941 to 550 acres per farm  
25 today. Capital investment is another useful  
26 measure of size and adjustment. In 1950  
27 the average capital invested per farm was  
28 estimated at \$13,000 for all of Canada. In  
29 1958 the average capital invested was \$20,000,  
30 an increase of over 50 per cent. Trends in





1  
2 output are less easy to discern because the  
3 figures reflect to a very considerable extent  
4 seasonal conditions; generally speaking we can  
5 say that agricultural production is about  
6 30 to 40 per cent higher than in the 1935-39  
7 period.

8 "In monetary terms, agriculture in 1948  
9 accounted for 20 per cent of the net value  
10 of production of the main industry groups  
11 and in 1957 nine per cent. The change  
12 in the relative importance of agriculture  
13 has been due to the increase in value of  
14 production of other sectors of the economy  
15 notably manufactures, mining, forestry and  
16 construction. Agriculture income, although  
17 it has shown very considerable year to year  
18 variations due to changes in the levels of  
19 output and prices, has on the whole been  
20 relatively stable. In relation to national  
21 income, farm net income is equivalent to  
22 about five per cent of the total.

23 "In the important area of trade, the annual  
24 value of agricultural export has averaged  
25 about \$1 billion over the past 15 years  
26 and is now somewhat less than one-quarter  
27 of our total value of exports. On a value  
28 basis, about 28 per cent of our agricultural  
29 production is exported . . . . Canada's  
30 agricultural exports comprise a wide variety







1  
2 of items -- practically the whole range of our  
3 agricultural production. Grains,  
4 particularly wheat, hold a dominant position,  
5 accounting for over half the total value of  
6 such exports. Cattle and beef, pork, flax-  
7 seed and tobacco are other exports of major  
8 importance."

9 (From an article entitled Canadian Agricultural Policies  
10 in the federal agriculture department's The Economic  
11 Analyst, June, 1960, Page 53-54.)

12 63. There is a recognized danger in attempting to  
13 equate the tremendous increase in Canadian wheat output  
14 with the absolute growth of the country as a whole.

15 There is also a danger of giving too much weight in the  
16 total picture to the settlement of the prairie region.

17 There were certainly other regions and other commodities  
18 which had an important impact on Canadian development  
19 in the years between 1900 and the great depression of  
20 the 1930's. About the relative importance of the  
21 many factors, Professor Mackintosh had this to say:

22 "Within the period of development which was  
23 of determining influence and up to the Great  
24 Depression, Canada experienced a rapid rate of  
25 expansion. The discovery of new resources,  
26 the tapping of new areas by transportation  
27 lines, a fructifying stream of capital imports,  
28 expanding export markets, and increased  
29 values given to resources by technological  
30 changes had promoted the expansion of population





1  
2 and industry. That expansion had proceeded  
3 in a framework of integrating national  
4 policies -- policies designed to enlarge  
5 the internal circulation of goods and to  
6 increase the interdependence of the several  
7 regions.  
8 "For a time the economy had approached a  
9 simple unity with wheat as the dominant  
10 and highly specialized export, and subordi-  
11 nate exports fairly evenly distributed over  
12 the several regions. That simple unity from  
13 the war period on, had been progressively broken  
14 by the rise of newsprint, gold, the base  
15 metals, and (thanks to the Panama Canal)  
16 British Columbia lumber, as major exports.  
17 Regions, hitherto having a high degree of  
18 dependence on the prairie market, developed  
19 major export markets and specialized export  
20 areas of their own. British Columbia had  
21 become an exporting region, dependent to a  
22 much less extent than formerly on the  
23 prairie market. Ontario and Quebec had  
24 developed great export areas within their own  
25 boundaries -- areas whose speculative and mar-  
26 ket possibilities dimmed the importance of  
27 the prairie market. To a degree, this change  
28 raised centrifugal forces from minor to  
29 major importance. Yet though greater diver-  
30 sity in major exports had replaced the







1  
2 earlier simple unity, the dependence of  
3 the economy on specialized exports, produced  
4 in specialized exporting areas, had  
5 increased rather than decreased."

6 (Mackintosh, op cit. page 10.)  
7  
8  
9  
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11  
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64. In the export industries the same specialized pattern remains today and may be clearly seen by an examination of the details in Tables C, D and E. In the manufacturing industries there has been a similar pattern of specialization with emphasis, as in the 1920's, on manufacturing related directly to the processing of basic resources. A study of the following table shows clearly that forest products and those from mining and petroleum development continue to share a major portion of the country's total manufacturing output. Other industries from time to time have risen to prominence, such as the aircraft industry, and, of course, still others may appear in the future. But for the main, the development of the basic resources has been Canada's principal economic activity from the outset.

65. The following table (from Canada Year Book, 1957-58, page 660. Note that the aircraft industry did not rank among the 40 leading industries in those years for which the table shows no rank. Also earlier classifications for the industry described in 1953 and later as miscellaneous electrical apparatus and supplies are not comparable with the later years) shows the rank of the 10 leading manufacturing industries in 1955 from the standpoint of selling value of factory shipments and contains comparative figures for selected years since 1929.







Industry	1929	1933	1939	1944	1949	1953	1954	1955
Pulp & Paper	1	1	2	5	1	1	1	1
Non-ferrous metal smelting & refining	9	2	1	2	3	2	2	2
Petroleum products	10	6	6	14	5	5	3	3
Motor vehicles	4	11	5	7	4	3	5	4
Slaughtering, meat packing	2	3	3	1	2	4	4	5
Sawmills	5	14	8	11	6	6	6	6
Primary iron & steel	16	31	11	13	8	7	8	7
Butter & cheese	6	5	4	10	7	9	7	8
Aircraft & parts	-	-	-	4	-	8	9	9
Miscellaneous elec- trical apparatus and supplies	-	-	-	-	-	17	13	10

66. On the relationship of the growing of grain on the prairies to the general expansion boom which swept all of Canada in the first three decades of the 20th century, Professor Fowke wrote:

"Although prerequisites to western development, the national policy was not by itself sufficient to make such development possible on the scale eventually attained. The establishment of the prairie wheat economy, which may be regarded as its first major economic triumph, was accompanied by tremendous expansion throughout the entire Canadian economy and was an integral part of a complex of dynamic forces which pervaded the western world. Professor Mackintosh has spoken of the 'conjuncture of





1  
2 favorable circumstances' which marked the  
3 transition from the 19th to the 20th century  
4 and which gave to Canada three decades of  
5 unprecedented expansion. This conjuncture  
6 of world circumstances created the opportunity  
7 for Canadian expansion, but a half-century  
8 of foundation work along the lines of the  
9 national policy had prepared Canada for the  
10 opportunity."

11 (Fowke, op cit, page 70. The reference to Mackintosh  
12 is from his analysis in the Economic Background to  
13 Dominion-Provincial Relations.)

14  
15 67. But the question may be asked: has wheat  
16 outlived its importance to the total picture? The  
17 economy of the area of Canada has boomed (for details  
18 see statistical summary of the progress of Canada,  
19 Canada Year Book 1959, some portions of which are  
20 attached in Tables B and E. For figures on sea fishing  
21 see Canada Year Book, 1959, pages 596-601 and 989 and for  
22 fur see pages 606-609) before on the exploitation  
23 of a staple, cod being the first. Sea fishing still  
24 employs more than 50,000 men and produces an annual  
25 catch valued at more than \$100,000,000 of which a goodly  
26 portion is exported either fresh, frozen or cured.  
27 But in terms of persons employed, annual production  
28 or export value of sea fishing no longer stands high in  
29 the total economy. The second staple was fur whose  
30 main market at the outset was the luxury trade of Europe.







1  
2 Until the end of the 19th century nearly all fur  
3 production was from wild-caught animals and even today  
4 about half the pelt output is from the trapline.  
5 Fashion has been a major factor in the demand for fur and  
6 the industry no longer ranks high in the total economy.  
7 Since 1921 the value of pelts taken has ranged between  
8 \$20,000,000 and \$30,000,000 while the total value of  
9 fur export, both raw and manufactured, was some  
10 \$27,000,000 in 1956. Output of the mines has been  
11 another staple industry whose fortunes have varied  
12 with the changing tide. For a time before 1871 gold  
13 production was the paramount mineral output but during  
14 the years since, its primacy has been replaced in time  
15 by copper and coal, then by lead, then by petroleum,  
16 uranium and so on. There is no suggestion here that  
17 mineral output has become less important in total --  
18 the total value of mineral production in recent years  
19 has exceeded \$2 million annually -- but that there has  
20 been marked inconsistency in the demand for its parts.  
21 As for the output of the forests, its products have  
22 been of major importance since before the First  
23 World War. The export of newsprint, for example,  
24 has been the foremost dollar earner for the Canadian  
25 economy since the mid-1930's.

26  
27 68. The export record (see Table E, statistical  
28 summary of the progress of Canada showing the foreign  
29 trade picture, Canada Year Book, 1959) indicates  
30 clearly that wheat as a principal export has held its





own. Taking the 10-year average as a basis of comparison, wheat exports by volume have increased consistently since the turn of the century. There have been some declines in individual years during the decade 1950-60 but when final tabulations are available, the decade will most surely show a comparable increase over the decade 1940-50.

69. The same can not be said for some of the other major exports as a study of Table E indicates. Variations have occurred during the years for planks and boards, woodpulp, asbestos, lead and zinc. More recently the drastic reduction in world demand for uranium points up the effect technological development can have on a product that looked for a time to give Canada a distinct advantage in world trade.

70. In recent years for one reason or another, most of them on the basis of national policies, more countries have increased their wheat acreage and their total wheat production. In 1950-54 the total world wheat acreage averaged 447,320,000 acres from which the world producers garnered something like 6,970,000,000 bushels of wheat. World wheat acreage increased to 516,700,000 by 1958 from which the world produced 8,300,000,000 bushels of wheat. Quality considerations aside, on the basis of these figures alone world wheat producers averaged in the 1950-54 period about 15.5 bushels of wheat a seeded acre. By 1958 on the same basis their wheat acreage yielded about 16 bushels on







1  
2 the average, a slight improvement from the earlier  
3 period. By comparison, Canada seeded an average  
4 of 26,129,000 acres in the 1950-54 period from which  
5 the country garnered an average annual crop of  
6 537,586,000 bushels of wheat for an average yield  
7 in the period of 20.6 bushels an acre. In 1958,  
8 Canadian acreage was reduced to 20,899,000 acres and  
9 the total crop was down to 367,300,000 for an average  
10 yield of 18 bushels a seeded acre. In 1956 the  
11 world producers garnered 7,800,000,000 bushels from  
12 488,650,000 seeded acres for an average yield of  
13 about 16 bushels an acre while the same year in  
14 Canada, 21,781,000 seeded acres produced a wheat  
15 crop of 573,062,000 for a yield of 21.5 bushels  
16 an acre. This Canadian picture is, of course, for  
17 the entire country, and not the west alone.

18 Taking Saskatchewan as a production area  
19 by itself, the yield over the 1950-54 period  
20 averaged 23.8 bushels an acre while in 1958 it was  
21 16.6 and in 1956 it was 22.7. (For details of these  
22 comparisons see Tables H, I, J and K.)

23  
24 71. Nationally wheat remains unchallenged as the  
25 second highest producer of export dollars; interna-  
26 tionally it remains unchallenged as one of the best  
27 milling wheats in the world. On this latter point,  
28 one of the marked advantages of Canadian wheat over  
29 wheat from other producers is the undisputed fact that  
30 the protein content and gluten quality (the factor





1  
2 which gives stretchability to the dough) remain con-  
3 sistently high from one year to the next and that  
4 these qualities can be depended upon to vary little  
5 from one shipment to another in any one year. These  
6 factors are of primary importance to the milling  
7 trade and help to give Canadian wheat its primary  
8 position among the wheat of world producers, that is,  
9 in blending. In many countries millers mix Canadian  
10 wheat with domestic output for just this reason. The  
11 grading system supervised by the Canadian Board of  
12 Grain Commissioners is accepted throughout the world  
13 as a dependable guide to the consistency through the  
14 years of Canadian wheat for export and its research  
15 laboratories provide studies generally accepted by  
16 the milling trade as being reliable assessment of the  
17 wheat being offered in any one year.

18  
19 72. Quality aside, it can be readily seen from  
20 the statistical detail on world and Canadian wheat  
21 production that cultivated acreage is no real indica-  
22 tion of wheat production for any one area in a given  
23 year. The vagaries of weather, the incidence  
24 of such damaging factors as drought, pests, and  
25 plant diseases, and the improving techniques of  
26 cultivation and plant husbandry bear more directly  
27 on the annual wheat production for any one area than  
28 does the single factor of cultivated acreage. In  
29 Saskatchewan, for example, the seeded acreage to  
30 wheat was 16,600,000 in the crop year 1952-53, a year







1  
2 in which the wheat production totalled 449,000,000  
3 bushels -- a record annual output -- while in the crop  
4 year 1954-55 the same acreage produced a crop of only  
5 169,000,000 bushels of wheat. Other factors than  
6 seeded acreage were the major determinants of  
7 output.

8  
9 73. If Canada can grow wheat more efficiently  
10 on the basis of land utilization than most places in  
11 the world and if Canadian wheat continues high in  
12 quality why then does Canada have apparent difficulty  
13 in marketing her wheat output? First, it must be  
14 recognized that the demand for wheat is relatively  
15 inelastic which means that for the most part coun-  
16 tries which buy Canadian wheat for milling would  
17 alter by very little the quantities they now purchase  
18 were the price of Canadian wheat to be reduced.  
19 Markets which have declined in recent years or have  
20 not increased at the same rate they did in earlier  
21 years have done so mainly for reasons other than price:  
22 some countries have encouraged their own wheat pro-  
23 duction on a non-economic basis for reasons of  
24 defence and monetary exchange and in at least one  
25 instance for social reasons as in France; some  
26 cutback purchases mainly because of intra-regional  
27 trade and tariff agreements such as the European  
28 Common market (recent statement to the press by  
29 spokesmen of the Canadian Wheat Board indicate  
30 Canada may lose up to 10 per cent of her current





1  
2 market among the European Common Market countries,  
3 an amount which may equal 5,000,000 bushels annually.  
4 See also Tables F and G) and in some instances United  
5 States give-away programs under the guise of mutual  
6 defence and aid have reduced the potential market  
7 for Canadian wheat. Despite these reasons for  
8 potential decline in Canadian markets, it must be  
9 recalled that Canadian wheat export has in fact  
10 risen during the years and continues to rise. Not  
11 long ago Canada considered an annual export  
12 250,000,000 bushels as a good target. Now the  
13 market tends to consider 300,000,000 as the possible  
14 annual target.

15  
16 74. Saskatchewan Wheat Pool submits that in  
17 the long run the answer is to be found by Canada  
18 securing and maintaining an export wheat market among  
19 countries not now considered as customers. This  
20 is a matter for the federal government which through  
21 the Canadian Wheat Board is the sole marketing  
22 agency for Canadian wheat and its examination is  
23 not particularly pertinent to this submission.  
24 Saskatchewan Wheat Pool recognizes that any such long-  
25 term programme will take time to bear fruit and has in  
26 conjunction with others made several proposals for  
27 intermediate action.

28 (Saskatchewan Wheat Pool together with nine  
29 other farming organizations known together as the  
30 western farm liaison committee have since 1959 made







several proposals to the federal government, none of which was accepted. They have included a deficiency payment to the grain producer on wheat, oats and barley to bring the bushel return for each grain for the three-year period 1955-58 up to the average received for those grains during the eight-year period 1945-54 -- for wheat that deficiency figure would be 22 cents for the 1955-56 crop year, 35 cents for the 1956-57 and 31 cents for 1957-58; -- a two-price system for wheat allowing the price paid for wheat by Canadian millers to increase more in line with prices paid generally in Canada for other goods and services and leaving the export wheat price at the world price as it now is; assumption by the federal government of carrying charges on carry-over stocks of all grains in commercial storage; and assumption by the federal government of cost of export flour subsidies now borne by the grain producer and an adjustment to compensate for the unfavourable exchange rate between the Canadian and U. S. dollar. On the matter of the deficiency payment, the grain growers set a limit of \$1,500 a year on the payment to any one farmer and on the other four matters the farmers estimated an annual increase in their gross income of something like \$85,000,000.

75. Some critics of the grain-growing industry have said the only answer is to sell or stop producing.





1  
2 The Toronto Globe and Mail recently voiced its  
3 criticism in this way:

4 "Either western Canada can grow wheat  
5 competitively with other world producers  
6 or it cannot. If the west can compete  
7 western wheat should be shipped at rates  
8 based upon the real cost of shipping. If  
9 the west cannot compete it should be  
10 getting out of wheat and into other lines  
11 of production. One way to find out  
12 would be to throw away the Crowsnest  
13 crutch."

14 (From an editorial in the Globe and Mail, Toronto,  
15 March 19, 1960.)

16  
17 76. This kind of criticism should be answered  
18 at this time because it is being voiced with  
19 increasing frequency not only by newspapers  
20 throughout the country but also by others charged  
21 more closely with determining policies which affect  
22 not only the grain growers but also other economic  
23 activity in Canada.

24 77. The alternative proposed by the critics  
25 is to get out of wheat production. One way of doing  
26 this would apparently be to increase agricultural acti-  
27 vity in other directions. The marketing of grain  
28 through hog and livestock production is one way of  
29 getting rid of grain but it may not be the most  
30 satisfactory either for the farmer with the grain







1  
2 or for the others whose main occupation has tradi-  
3 tionally been hog and livestock production; increased  
4 output may merely reduce net return for both.

5 Because it is relatively easy to get into and out of  
6 hogs and livestock the market situation for them  
7 may vary greatly from one season to the next to the  
8 ultimate disadvantage of all within that form of agri-  
9 cultural production. This question of diversifi-  
10 cation is worth looking at in greater detail.

11  
12 78. In Saskatchewan alone, there now are  
13 fewer producers of wheat than there were 10 years  
14 ago and those remaining tend to operate larger units  
15 of production more efficiently. Some of the others  
16 have left agriculture altogether and some have begun  
17 cultivation of other crops or have entered live-  
18 stock production. In 1951 Saskatchewan had 112,018  
19 farms; in 1956 there were 103,391 for a reduction  
20 of 7.7 per cent, equal in that period to the national  
21 percentage reduction in the total number of Canadian  
22 farms. In that period the total area of occupied  
23 farm land decreased slightly for the country as a  
24 whole but both the area of improved land and the  
25 area under crop cultivation increased, mainly in the  
26 prairie provinces. In Saskatchewan the total  
27 area of farm land increased to 62,793,979 acres  
28 in 1956 from 61,663,195 acres in 1951 and that under  
29 crop cultivation increased to 38,673,969 from 36,560,969  
30 acres in 1951. For the country as a whole the  
total area of farm land decreased to 173,923,691





1  
2 acres in 1956 from 174,046,654 acres in 1951. (For  
3 comparative details see Tables 47, 49, Canada Year  
4 Book, 1957-58, pages 454-456.) This trend in  
5 Saskatchewan towards larger farms operated by fewer  
6 farmers has been continuing since. In the years  
7 between 1950 and 1956 Saskatchewan acreage seeded  
8 to wheat averaged well above the 16,000,000 mark each  
9 year but since the crop year 1955-56 the highest  
10 acreage seeded to wheat has been the 14,569,000 in  
11 1956-57. In the first five-year period of this  
12 decade Saskatchewan's average annual yield was 19.5  
13 bushels of wheat a seeded acre compared with the  
14 long-term average of 15 bushels and within this  
15 period the 1954-55 crop produced the unusually low  
16 yield of 10.2 bushels an acre. On the other hand,  
17 in the four crop years since, the annual average  
18 yield has been slightly more than the 19.5 average  
19 of the previous five years.

20  
21 79. The trend toward other farming activities  
22 than grain growing has been going on in Saskatchewan  
23 and throughout the prairie provinces for years.  
24 Consideration of the following figures will give  
25 some indication of its extent.  
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27  
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30





Receipts of cattle and calves at public stockyards  
and shipments direct from country points for selected  
provinces and selected years

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	<u>Alberta</u>	<u>Saskatchewan</u>	<u>Manitoba</u>	<u>Ontario</u>	<u>All Canada</u>
<u>Cattle:</u>					
1959	689,994	441,754	219,478	644,730	2,183,701
1958	744,213	495,324	256,904	743,146	2,465,543
1957	771,358	514,695	268,276	700,274	2,468,438
1956	715,733	432,511	234,790	702,811	2,299,521
1955	582,467	393,467	213,129	672,378	2,045,935
1946	501,760	481,212	271,997	485,449	1,889,709
1945	593,252	492,330	246,077	573,186	2,064,692
1944	418,590	376,743	199,959	428,167	1,546,671
1943	289,994	264,123	154,312	376,478	1,183,180
1942	239,546	239,150	175,089	409,026	1,174,715
1941	245,306	213,653	135,716	498,976	1,239,527

(These figures were compiled from annual issues of the  
federal agriculture department's Livestock Market Review,  
for the years 1955-59 and 1941-46.)



	<u>Alberta</u>	<u>Saskatchewan</u>	<u>Manitoba</u>	<u>Ontario</u>	<u>All Canada</u>
<u>Calves:</u>					
1959	151,662	127,087	93,834	200,498	893,081
1958	191,344	142,975	100,427	288,512	1,018,303
1957	171,363	110,956	101,506	258,023	1,005,673
1956	143,829	95,923	99,976	275,979	982,113
1955	128,173	86,003	90,471	275,057	921,494
1946	101,485	102,118	94,697	235,246	798,557
1945	147,040	111,806	102,063	260,989	864,479
1944	104,998	82,385	92,003	233,772	726,064
1943	74,345	63,536	80,313	214,456	640,703
1942	92,303	75,889	91,435	262,076	763,416
1941	94,664	76,809	87,373	289,829	818,975

80. The above figures tell their own story. In 1941, for example, the three western provinces marketed slightly more cattle in total than the province of Ontario, the country's biggest livestock producing province. By 1946 the three marketed more than twice as many cattle as Ontario. Taking Saskatchewan alone, the increase in cattle and calf marketing has been even more marked than for the three prairie provinces taken together. It may be noted that in these selected years the all-Canada totals increased for both cattle and calf marketings but the share retained by Ontario decreased







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1  
2 during the years, indicating that the prairie producers  
3 appear to have taken at least part of the traditional  
4 Ontario market for both cattle and calves.  
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81. The story for hogs is shown in the following table:

	<u>Alberta</u>	<u>Saskatchewan</u>	<u>Manitoba</u>	<u>Ontario</u>	<u>Quebec</u>	<u>All Canada</u>
1959	2,265,430	908,343	653,682	3,011,984	1,503,405	8,568,217
1958	1,812,186	704,201	464,420	2,183,578	1,128,989	6,458,848
1957	1,432,157	534,942	331,672	2,016,853	937,458	5,400,239
1956	1,571,836	576,804	387,908	2,196,306	1,060,090	5,959,605
1955	1,685,887	562,359	435,507	1,997,314	1,057,219	5,916,584
1946	1,250,102	503,776	345,229	1,768,437	478,322	4,448,684
1945	1,946,114	942,916	486,630	1,806,668	535,265	5,861,073
1944	2,981,940	1,934,112	851,994	2,108,734	789,325	8,863,178
1943	2,392,384	1,409,036	755,144	2,029,228	436,993	7,149,421
1942	2,182,326	964,632	598,059	2,021,562	347,707	6,228,163
1941	1,947,053	857,023	526,111	2,324,416	453,047	6,216,207

(Table compiled from the federal agriculture department's annual Livestock Market Review for the years 1955-59 and 1941-46.)

82. At the height of heavy Canadian hog production during the war, the prairie provinces accounted for about half the Canadian marketing in 1941, increasing to three-quarters of the total by 1944. During those years Saskatchewan hog marketings increased by a greater degree than the other two prairie provinces while Ontario marketings declined absolutely in a period when the all-Canada total rose by about







1  
2 one-third. The prairie share of the total hog  
3 marketings fell off after the war but appears again  
4 to be on the increase since 1955 with Saskatchewan  
5 marking up the largest percentage increase.

6 I mention this, Mr. Chairman, to do a little  
7 bit of bragging about what Saskatchewan did in the  
8 war effort to see that the people in the United  
9 Kingdom did get fats and bacon during the war period.

10  
11 83. Changing technology has also contributed to  
12 diversification of prairie agriculture. May I make a  
13 comment with the last review of the last page or  
14 two. This is the answer to the charge by the Globe  
15 and Mail. I think we have proved now that if  
16 you go into livestock any further that we will  
17 ruin the livestock for the rest of the country and  
18 particularly eastern Canada. During the war the  
19 Canadian government encouraged the introduction of  
20 rapeseed, long a seed-oil crop in certain sections  
21 of Europe. For a time rapeseed oil was used as  
22 a lubricant and later refinements in processing  
23 have made it available as an edible oil. Saskatche-  
24 wan, largest of the wheat-producing provinces, has  
25 taken the lion's share of expanding rapeseed produc-  
26 tion as the following table (compiled from tables in  
27 the Handbook of Agricultural Statistics, 1908-58,  
28 Bureau of Statistics, Ottawa, Pages 113-14.  
29 Estimates are apparently not available for small  
30 acreages grown in Alberta and Ontario between 1943  
and 1945) indicates (production in thousands of pounds):



	Alberta		Saskatchewan		Manitoba		All-Canada	
	Acres	Production	Acres	Production	Acres	Production	Acres	Production
1943-44	-	-	1,700	1,020	1,500	1,200	3,200	2,220
1944-45	-	-	4,800	1,920	6,000	4,200	10,800	6,120
1945-46	-	-	8,500	6,800	4,000	1,600	12,500	8,400
1946-47	-	-	21,000	11,970	2,500	1,000	23,500	12,970
1947-48	-	-	58,300	21,900	-	-	58,300	21,900
1948-49	-	-	80,000	64,000	-	-	80,000	64,000
1949-50	-	-	20,000	17,000	-	-	20,000	17,000
1950-51	-	-	400	120	-	-	400	120
1951-52	-	-	6,500	6,000	-	-	6,500	6,000
1952-53	-	-	12,000	9,600	6,500	4,300	18,500	13,900
1953-54	-	-	25,000	21,250	4,500	3,300	29,500	24,550
1954-55	-	-	31,000	21,700	9,000	7,200	40,000	28,900
1955-56	8,000	4,480	123,000	68,880	7,000	4,550	136,200	77,910
1956-57	25,800	23,220	297,000	252,000	29,100	24,150	351,900	299,820
1957-58	70,000	51,870	520,000	364,000	27,500	17,188	617,500	433,058
1958-59	70,000	45,500	535,000	330,000	21,000	12,600	626,000	388,100
1959-60	36,500	29,000	165,000	140,000	12,000	9,000	213,000	178,000
1960-61	170,000	130,000	550,000	400,000	36,000	27,000	756,000	557,000







84. Other crops have been introduced onto the prairies in recent years. Since 1956 Manitoba has introduced soybean cultivation and both Alberta and Manitoba have grown mustard seed since 1951. Sunflower seed has been tried in all three prairie provinces since the war but only Manitoba has remained at its production which in 1958-59 totalled 19,350,000 pounds of sunflower seed compared with the all-Canada total that year of 22,125,000 pounds. The three prairie provinces have been traditionally the big producers of flaxseed, the major source of vegetable oil.

85. Saskatchewan Wheat Pool submits that on the basis of present technological development further expansion of prairie production in livestock, hogs and the vegetable oil crops could result in an increasing marketing problem for central Canadian farmers and perhaps for industrial chemical firms as well. In addition drastic reduction in the production of wheat on the prairies could have far-reaching repercussions for some secondary industries of the central provinces which now market the bulk of their domestic sales among prairie grain growers. Take for example the motor vehicle and farm implement industry, statistics for which are detailed in Table L. (From Canada Year Book, 1957-58, pages 459-60.) Of all ten provinces, Saskatchewan recorded the greatest number of grain combines in farm use in 1956, the greatest number of motor trucks and the greatest number of





1  
2 gasoline engines, and was second only to Ontario, in  
3 the greatest incidence of farm tractors in use and  
4 second, again to Ontario, in the use of automobiles  
5 on farms. Furthermore, Table L indicates that  
6 situation was consistently so for the reporting years  
7 of 1931, 1941 and 1951. Because grain growing is by  
8 far the principal agricultural activity in Saskatchewan  
9 it may be assumed that for the most part these machines  
10 and implements are used by farmers because they are  
11 engaged in grain growing and that their use might be  
12 greatly reduced were the same farmers to engage in  
13 other farming activities.

14  
15 86. To what extent is prairie wheat production  
16 in excess of actual market demand? The following  
17 summary (compiled by Saskatchewan Wheat Pool from  
18 annual tables available in the federal agriculture  
19 department's Handbook of Agricultural Statistics,  
20 Part 1, 1908-59, pages 12 and 169) has been compiled  
21 from appended Tables H and K to show the situation  
22 on the average for the last eight five-year periods,  
23 beginning with the crop year 1919-20.

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Period	Average Carry-over Beginning of Crop Year	Average Annual Production		Average Total Supply	Average Annual Export	Average Apparent Domestic Disappearance	Average Carry-over at end of Crop Year
		All Canada	Sask.				
(All figures in thousands of bushels)							
1919-20							
1923-24	16,151 <sup>X</sup>	326,258	182,584	408,128 <sup>X</sup>	214,274 <sup>X</sup>	110,096 <sup>X</sup>	27,480 <sup>X</sup>
1924-25							
1928-29	53,155	422,220	232,350	476,020	310,144	96,896	68,980
1929-30							
1933-34	149,203	353,828	167,857	503,518	222,215	116,967	164,857
1934-35							
1938-39	121,140	263,444	108,040	386,509	177,114	108,253	101,142
1939-40							
1943-44	380,378	442,793	227,200	823,378	241,633	150,643	431,102
1944-45							
1948-49	170,411	372,540	196,440	543,272	270,573	153,113	119,587
1949-50							
1953-54	200,835	544,442	324,600	745,378	292,506	148,784	304,088
1954-55							
1958-59	621,599	436,287	251,600	1,057,957	288,594	162,239	607,124
40-Year Averages	213,301	395,227	211,334	597,614	252,132	125,369	226,606





87. From this statistical summary broad generalizations may be drawn. The first, of course, is the obvious observation that in no one category, production, export or domestic consumption, is there any real consistency in movement up or down. On the average, production, export and apparent domestic disappearance (for milling, feed grain, seed and other purposes) have all increased during the years. But on the average, annual production in the years since the Second World War has increased at a greater rate than has annual export or to put it another way, average annual export does not appear to have kept pace with the phenomenal increases in production.

That would be the six years from 1951 following; starting with the 1951 crop.

The result has been the rise in the annual carryover. While the annual carryover has been increasing during the years only in the most recent years has it exceeded on the average, annual average production. Over the 40-year period the average carryover remains below the average annual production for any single five-year period.

In other words, Mr. Chairman, in the last three years -- 1957, 1958, 1959 -- our carryover reduced between two and three hundred million bushels, which means the Wheat Pool was successful in selling that amount in three years more than the farmer produced.







88. Because wheat is a relatively stable commodity it may be stored for long periods without apparent depreciation. But its continued storage raises two problems: until it is eventually sold the farmer does not receive his total cash return and as long as wheat stocks remain high throughout the world they tend by their existence to have a depressing effect on the world price for wheat. Physical storage itself is not really the issue. Country elevators are much larger in total capacity than they were a few years ago and farm storage facilities have greatly increased. The Canadian Wheat Board estimated that in Saskatchewan alone 212,366,000 bushels of wheat were in various farm storage facilities at December 4, 1959, an amount about equal to the average annual wheat production for the province over the last forty years. (See Table M for detailed figures on Saskatchewan farm storage.) The existence of carryover by itself is not really the problem. With increasing market opportunities, Canada can afford to carry one year's supply in storage as a sort of insurance against no crop the following year. In this respect it may be recalled that in 1937-38 total Saskatchewan wheat production was only 36 million bushels and in that year had there been continuing high market demand, the existence of a one-year supply in carryover storage would have been taken up. I remember that well, Mr. Chairman, because I was elected president in May, 1937.





1  
2 89. The wheat carryover can be reduced, mainly  
3 in two ways: Produce less or sell more. In this  
4 submission Saskatchewan Wheat Pool has presented  
5 argument to show that reduction in wheat production may  
6 only complicate the total farm picture if wheat far-  
7 mers simply direct their attention to alternative  
8 types of agricultural production such as hogs, live-  
9 stock and vegetable oil seed crops. If they go out of  
10 wheat farming altogether, as some have suggested, the  
11 total Canadian economy will suffer markedly from the  
12 absence of a major market for producer goods. There  
13 is just no alternative for much of the prairie land now  
14 in grain cultivation, which is by far the major form of  
15 prairie agricultural production. The following  
16 figures (compiled from Canada Year Book, 1959, pages  
17 712-13, the all-Canada figures exclude Newfoundland  
18 for 1946 and exclude Newfoundland agriculture for 1956)  
19 indicate what percentage of the total prairie economy  
20 is devoted to agriculture and show that despite the  
21 greater diversity of the provincial economy of  
22 Saskatchewan, agriculture still accounts for about  
23 60 per cent of the total value of production.  
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	Manitoba		Saskatchewan		Alberta		All-Canada	
	Per \$'000	Cent	Per \$'000	Cent	Per \$'000	Cent	Per \$'000	Cent
<u>1946</u>								
Agriculture	163,407	45.4	409,890	78.8	302,819	58.2	1,526,354	22.7
Forestry	4,047	1.1	3,267	0.6	8,564	1.7	338,263	5.0
Fisheries	3,304	0.9	729	0.2	600	0.1	67,162	1.0
Trapping	5,012	1.4	2,677	0.5	2,974	0.6	31,078	0.5
Mining	8,241	2.3	21,930	4.2	47,634	9.2	322,214	4.8
Electrical								
Power	12,001	3.4	6,338	1.2	9,011	1.7	220,511	3.3
Manufactures	122,781	34.1	38,460	7.4	83,735	16.1	3,467,005	51.5
Construction	40,900	11.4	37,100	7.1	64,600	12.4	751,200	11.2
<u>1946 Totals</u>	359,693	100.0	520,391	100.0	519,937	100.0	6,723,787	100.0
<u>1956</u>								
Agriculture	187,510	27.3	611,681	59.3	389,091	25.8	2,059,121	11.6
Forestry	9,223	1.4	5,071	0.5	13,789	0.9	761,477	4.3
Fisheries	2,947	0.4	784	0.1	790	-	105,837	0.6
Trapping	2,240	0.3	2,837	0.3	1,132	0.1	12,361	0.1
Mining	27,486	4.0	76,450	7.4	380,800	25.2	1,224,102	6.9
Electrical								
Power	27,548	4.0	21,564	2.1	32,847	2.2	593,493	3.4
Manufactures	270,018	39.3	113,628	11.0	285,831	18.9	9,605,425	54.2
Construction	159,900	23.3	199,400	19.3	406,100	26.9	3,343,700	18.9
<u>1956 Totals</u>	686,872	100.0	1,031,415	100.0	1,510,380	100.0	17,705,514	100.0





1  
2 90. On the face of it the situation has worsened  
3 in the last five years not so much because annual  
4 production has increased but because annual average  
5 export has not increased at as great a rate. One  
6 reason, of course, has been the great increase in world  
7 wheat production. There can be little question that  
8 as milling technology improves and as countries  
9 which have been traditional Canadian markets increase  
10 their own wheat production, the long-run demand for  
11 Canadian wheat among the existing markets will decline.  
12 The emphasis must be not only in trying to persuade  
13 present consumers of Canadian wheat to buy more, impor-  
14 tant as that may be, but also in introducing the use  
15 of Canadian wheat into new markets which up till now  
16 have used it very little or not at all. It is  
17 pertinent to reaffirm that any change upwards in the  
18 costs of marketing Canadian wheat will only hamper  
19 the quest for new markets.

20  
21 91. In January, 1959, Saskatchewan Wheat Pool  
22 published a document (Saskatchewan Wheat Pool pamphlet  
23 on "Deficiency Payments," Regina, January, 1959)  
24 used during the prairie grain growers' delegation  
25 to Ottawa to support their claim for deficiency payments  
26 in which some of the factors peculiar to the marketing  
27 of Canadian wheat were set out. That is a year ago last  
28 spring. Among other matters that document said:

29 "More than two-thirds of the wheat grown  
30 in western Canada is sold abroad. This







1  
2 fact is important because it puts the  
3 wheat producer in a class apart from most other  
4 Canadians. The conditions of his market  
5 are dictated not by the prosperity or the  
6 demands of his fellow Canadians but by the  
7 terms of trade in a world market.

8 "Where other Canadian groups are very  
9 often able to pass on to others their  
10 steadily increasing costs, Canadian grain  
11 producers are totally unable to do so.

12 All of their wheat, even that part of it  
13 used in Canada, is priced on the basis of  
14 world competition. Therefore, any  
15 increases in Canadian costs must be borne  
16 by the farmer in order to keep the price  
17 of his product in line with prices prevail-  
18 ing in the world market."

19  
20 91A. Inherent in the accumulation of heavy carryover  
21 stocks, especially on the farms, is the grain grower's  
22 difficulty in getting cash income. This in turn directs  
23 his purchase programme and has cumulative effects  
24 on the entire economy. The farmer receives actual  
25 cash for his crop only when it is delivered to the  
26 country elevator and does not get final payment for any  
27 parcel of wheat until the end of a crop year pool when  
28 the final disposition of funds received from the  
29 eventual sale of wheat (and certain other grains)  
30 is made by the Canadian Wheat Board. The board is





1  
2 appointed by the federal government and is sole  
3 marketing agency for Canadian wheat, oats and barley.  
4 In the crop year begun August 1, 1958, the initial  
5 payment was a gross amount of \$1.40 a bushel for  
6 No. 1 Manitoba Northern wheat and a lesser amount for  
7 lower grades. It has been the same since. A  
8 subsequent interim payment was 10 cents and the final  
9 payment made after May 20, 1960, when the wheat board  
10 closed the 1959-59 pool, was nine cents for a gross  
11 of \$1.59 a bushel. In fact the initial payment on  
12 the farm was less than the \$1.40 by an amount deducted  
13 by the handling agency at the country elevator for  
14 its cost of handling and elevating the grain into  
15 boxcars for eventual delivery and by an amount equal  
16 to the railway freight charges to move it from that  
17 elevator to the export position at the lakehead, Van-  
18 couver or the port of Churchill (the standard bushel  
19 handling charge for wheat is  $4\frac{1}{2}$  cents and the freight  
20 charge under Crowsnest Pass rates from Regina to  
21 the lakehead is 20 cents a hundredweight or about  
22 12 cents a bushel.) The amount of the final payment  
23 depends, of course, on many factors, the major one  
24 being the eventual export selling price for the  
25 wheat. There is also the cost of operating the  
26 Canadian Wheat Board's wheat selling machinery and  
27 storage charges both in the country elevator and  
28 again at the terminal. The original  $4\frac{1}{2}$  cents fee  
29 paid at the country elevator includes country elevator  
30 storage for 15 days but an additional fee is collected







1  
2 by the elevator agency from the wheat board and  
3 eventually from the farmer himself for storage of more  
4 than the 15-day period. Therefore, the longer a  
5 given parcel of wheat remains in storage either at the  
6 country elevator or at the terminal position, the more  
7 storage costs the farmer must eventually pay and the  
8 less he nets from the sale of his wheat. In recent  
9 years the federal government has contributed a share  
10 of these storage costs under terms of the Temporary  
11 Wheat Reserves Act. The federal contribution on  
12 storage totalled \$42,959,442.41 (supplementary report  
13 of the Canadian Wheat Board, May 20, 1960, page 2)  
14 in the 1958-59 pool account which began August 1, 1958  
15 and was finally closed May 20, 1960.

16 I should like to make a statement here, Mr.  
17 Chairman. It has said "storage costs". What the  
18 Bill provides for is carrying charges, and I want to  
19 make this clear because there is a lot of misunder-  
20 standing about this. Speaking from memory, last year  
21 it cost the farmers nearly five cents a bushel for  
22 the carrying charge; the Wheat Reserves Act provided  
23 over ten cents a bushel. That carrying charge is made  
24 up of storage charges and interest to the banks.  
25 According to our records, last year thirty-six per  
26 cent of our total earnings with carrying charges  
27 went as interest paid to the banks. It is not just  
28 storage; it is carrying charges and the banks got  
29 36 per cent of the total, out of this \$42 million  
30 paid by the Wheat Reserves Act.





92. Argument to support the prairie grain grower's claim that his economic well-being is declining in an economy generally on the rise has been put forward many times recently by prairie farm spokesmen. A review (summarized from a brief presented the Prime Minister May 10, 1960 by the Liaison committee representing 10 prairie farm organizations to inform the government of the prairie farmer's declining position in the national economy) of the situation indicates the following:

(1) General economic activity in Canada has been high: the gross national product, which is the value of all goods and services produced in the country, increased by 2.6 per cent between 1957 and 1958 and was up by another 6.1 per cent by 1959.

(2) Industrial wages and salaries have been rising consistently: considering 1949 as a base of 100 the average weekly wage and salary index stood at 171.1 in 1959 compared with 84.2 in 1947 for an increase of 103.2 per cent. The figure increased for every listed city in Canada between December 1958 and December 1959 by percentages ranging from 2.4 to 13.1.

(3) The cash cost of the national tariff burden was estimated in 1956 by the Royal Commission on Canada's Economic Prospects at







1  
2 \$1,000,000,000 and because of the sparse  
3 population in the west compared with central  
4 Canada, the general absence of industrial  
5 activity and the long freight haul which  
6 restricted the variety of goods offered, it  
7 fell more heavily on the people of the west  
8 than those in the more populated and heavily  
9 industrialized central provinces.

10 (4) The general rise in freight charges  
11 also fell more heavily on the people of the  
12 west: in the last ten years the cumulative  
13 increases in railway general freight charges  
14 totalled about 142 per cent after allowing  
15 for the \$20,000,000 federal government  
16 freight rate subsidy for the year ended  
17 July 31, 1960.

18 (5) The domestic price of bread kept pace  
19 with the general rise in prices of nearly  
20 everything the farmer buys as a consumer  
21 and as a producer, rising to an average 19  
22 cents a loaf from an average 12 cents  
23 ten years ago. But the farmer's share of  
24 that bread price increase has actually  
25 declined. He still receives about three  
26 cents for the wheat going into one loaf of  
27 bread, indicating a relative decline in  
28 his share. On the market, the farm price  
29 to the grain grower for a bushel of wheat  
30 of the average grade has fallen from the





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average of \$1.59 during the eight-year  
period 1945-53 to \$1.37 in 1955-56,  
\$1.24 in 1956-57 and \$1.29 in 1957-58.







93. In summary, Saskatchewan Wheat Pool submits:

(1) Despite the intentions of the national policy of the post-Confederation decade and completion of the CPR main line to the west in 1885, the prairie settlement boom did not really get started until after 1901 when certain external factors encouraged the growing of wheat on the prairies for the export market.

(2) Although western expansion reached its peak by 1930 and ceased to be a major stimulus to the country's total growth, Canadian development has continued at a relatively high rate mainly through the exploitation of natural resources, both as primary commodities for export and as the basic raw material for the country's principal manufacturing industries. Among these primary commodities prairie wheat has continued to this day to claim a major portion of the total dollar value to the country as a whole.

(3) Canadian grain growers have consistently improved their efficiency in the production of wheat to the point today where their product is second to none within the considerations of yield, length of the growing season and quality of the product. Taking into account acreage yield alone, Canadian wheat production





1  
2 is much better than the world average and  
3 surpassed by no other country enjoying a  
4 comparable standard of living among the  
5 people who grow wheat. That, of course,  
6 refers to export countries, not countries  
7 like Britain.

8 (4) Particularly since the Second World War  
9 prairie farmers have engaged in a variety  
10 of alternatives to grain growing, increasing  
11 substantially their output of livestock and  
12 hogs and the variety of crops directed  
13 mainly at the production of vegetable oils.  
14 They are well aware of the alternative  
15 possibilities not only for those who remain  
16 in agriculture but also for those who wish  
17 to leave. In the last decade the number of  
18 farm units operated in Saskatchewan  
19 has been reduced substantially and there  
20 is every indication the trend will continue.

21 (5) Only in recent years, mainly in the  
22 years since 1953, has the Canadian carry-  
23 over situation become a problem. It  
24 appears due because the rate of increase  
25 in wheat exports has not kept pace with  
26 the volume increase in Canadian wheat pro-  
27 duction, particularly in view of the large  
28 number of exceptionally large crops in the  
29 last seven years. This would indicate  
30 plainly a need for a more vigorous marketing







1  
2 programme to sell more wheat, particularly  
3 to countries which have not traditionally  
4 been consumers of Canadian wheat. Any  
5 move to increase the costs of marketing  
6 a unit of Canadian wheat would directly  
7 hamper such a programme.  
8

9 IV CONCLUSIONS AND RECOMMENDATIONS

10  
11 94. By agreement among interested parties, this  
12 Royal Commission heard first the railways. At Montreal  
13 on October 12, 1959, Canadian Pacific Railway and  
14 Canadian National Railways presented a joint submission  
15 containing the main burden of their case. Its final  
16 three paragraphs contain the main argument:

17 "99. The railways recognize the impor-  
18 tance of agriculture to the Canadian economy  
19 and are particularly cognizant of western  
20 agriculture in the economic well-being of  
21 Canada. The railways recognize that the  
22 western Canadian farmer is faced with  
23 nationalistic agricultural policies in  
24 importing countries, as well as agricultural  
25 policies of its competitors in the export  
26 field, particularly in the United States.  
27 The railways know that until there is a  
28 marked change in the situation, the western  
29 Canadian farmer cannot, without hardship,  
30 bear the full burden of just and reasonable





1  
2 rates for moving grain and grain products  
3 into export positions. The railways,  
4 however, while recognizing this fact,  
5 should not be asked to provide a service  
6 so essential to western Canadian agriculture  
7 unless they secure adequate compensation  
8 for the movement of grain.

9 "100. As is shown elsewhere in this sub-  
10 mission, revenues from western grain now  
11 fall far short of meeting a just and  
12 reasonable remuneration for the handling of  
13 this traffic. Recognition of the position  
14 of the farmers of western Canada and the  
15 needs of the railways to be adequately  
16 compensated for the work they do has  
17 resulted in the proposals which are dealt  
18 with in the submission of the railways under  
19 the heading:

20 "IX - RECOMMENDED SOLUTIONS TO ENABLE  
21 THE RAILWAYS TO SECURE REVENUES BASED  
22 ON JUST AND REASONABLE RATES FOR MOVEMENT  
23 OF GRAIN IN WESTERN CANADA TO EXPORT  
24 POSITIONS WHILE MAINTAINING EXISTING  
25 FREIGHT CHARGES ON GRAIN TO FARMERS."

26 "101. In the submission of the railways  
27 it is clear that inadequate revenue from the  
28 movement of the western Canadian grain crop  
29 to export positions is contrary to the  
30 public interest and the solution of the







1  
2                   problem created by the fixed rates on this  
3                   traffic is basic to a solution of problems  
4                   relating to railway transportation in  
5                   Canada."

6  
7                   95.           In subsequent submissions the two railways  
8                   introduced proposals for providing the recommended  
9                   solution. The CPR proposed that the Crowsnest Pass  
10                  rate on export grain remain unchanged for the grain  
11                  grower but that the railway receive rates increased  
12                  by 100 per cent of their present amount and that the  
13                  difference be supplied by the federal treasury in  
14                  income tax relief and be labelled specifically as  
15                  a subsidy to the western grain grower. The CNR  
16                  proposed also that the Crowsnest Pass rates remain  
17                  unchanged to the farmer but that the railway  
18                  receive rates increased by 125 per cent of their  
19                  present amount and that the difference be supplied  
20                  by the federal treasury as a direct grant subject to  
21                  parliamentary approval and be specifically labelled  
22                  as a subsidy to the western grain grower.

23                  96.           On the general question of retaining the  
24                  Crowsnest Pass structure of freight rates on prairie  
25                  grain moving to export positions, Saskatchewan Wheat  
26                  Pool submits the argument is clear and commanding.  
27                  Such a structure must remain as long as Canada  
28                  expects to maintain a prairie grain industry producing  
29                  primarily for the export market. It is in the  
30                  national interest that the products of that industry





1  
2 flow to export positions at freight charges low enough  
3 to encourage the sale of these products on foreign  
4 markets where competitive marketing conditions are  
5 becoming increasingly more difficult.

6  
7 97. On the specific question of whether existing  
8 freight charges under the Crowsnest Pass structure now  
9 compensate the railways for the carrying of that  
10 grain, there has been much argument. The two  
11 transcontinental railways have submitted cost analyses  
12 purporting to show the charges are not compensatory.  
13 Saskatchewan Wheat Pool and other spokesmen for the  
14 grain-growing areas question the conclusions of these  
15 analyses and urge that this Royal Commission give  
16 careful consideration to any claims that present  
17 charges are not compensatory. The very question of  
18 what is in fact "just and reasonable rate" is itself  
19 open to dispute. For example, in a judgment for the  
20 Board of Transport Commissioners in the case involving  
21 domestic grain rates in western Canada, Chief Commis-  
22 sioner J. D. Kearney said on December 3, 1956 that:

23 "It may be said there is no exact point  
24 at which a freight rate can be considered  
25 to be just and reasonable; it is largely  
26 a matter of opinion based on experience."

27 (Board of Transport Commissioners judgment, December  
28 3, 1956, page 40.)

29 98. The railways contend that the decline in  
30 their financial position was caused by: "First, the







1  
2 fixed nature of statutory freight rates on western  
3 Canadian grain; second, competition from other media  
4 of transport; and third, inability to secure from  
5 general freight rate increased revenues which would  
6 enable the railways to meet increased costs and earn  
7 a reasonable return on investment." (Joint submission  
8 of the CPR and CNR to the Royal Commission on  
9 Transportation at Montreal, October 12, 1959, page 28.)  
10 They claim that an adjustment in revenues from the  
11 carrying of grain would right their financial position.  
12 Saskatchewan Wheat Pool contends no such simple  
13 adjustment could either correct the railway financial  
14 position or would be the best solution for the country  
15 as a whole. In Canada railway business is not  
16 private business and the important factor of national  
17 interest must be considered in any solution despite  
18 the apparent inability to equate that national  
19 interest in the accountant's language of dollars and  
20 cents. The nation as a nation participates largely  
21 as a builder of railways. Many consumers of railway  
22 services have too little alternative transportation  
23 services, particularly in the west, for the nation not  
24 to remain as a consumption participant as well.

25  
26 99. Saskatchewan Wheat Pool categorically opposes  
27 the subsidy proposals of the two railway companies.  
28 For one thing Saskatchewan Wheat Pool holds that  
29 railway financial difficulties must be assessed on the  
30 entire railway operation and not on traffic of any one





1  
2 kind of commodity or in any one region. For another,  
3 a subsidy of the kind proposed by the railway companies  
4 is at best a stop-gap expedient and does not take into  
5 account a real solution to the railways' financial  
6 problem which is a total problem and not merely a grain  
7 handling problem. Quite aside from these two reasons,  
8 which by themselves ought to command serious considera-  
9 tion, the suggestion that the grain growers as a group  
10 should be held responsible by themselves for a railway  
11 financial problem is simply not acceptable. This  
12 holds no matter how valid may be the argument that  
13 railway traffic in prairie grain at Crowsnest Pass  
14 rates is or is not compensatory. This submission con-  
15 tends that the railway operation in Canada and its  
16 accompanying financial difficulties are responsibilities  
17 of the entire nation and not of any one of its parts.  
18 It also contends that the grain-growing industry is  
19 as important to the country as a whole as it is to  
20 the relatively small group of farmers directly employed  
21 within it. If this Commission finds regardless that  
22 there must be a subsidy of this kind, Saskatchewan Wheat  
23 Pool contends there is no justification whatever for  
24 labelling it as a subsidy to the prairie grain industry.  
25  
26 100. Furthermore, Saskatchewan Wheat Pool submits  
27 that any subsidy to the railways which is directly linked  
28 to the movement of prairie grain would put in jeopardy  
29 at some future date the maintenance of this rate. This  
30 submission has shown that the existence of the prairie







1  
2 grain industry will remain dependent upon its ability  
3 to put Canadian wheat into world market export position  
4 at the lowest possible transportation rate. If indeed  
5 a subsidy to the railways is found necessary,  
6 Saskatchewan Wheat Pool urges that it be based upon  
7 the national need for adequate railway service as a  
8 continuing element in the attainment of Canada's  
9 national purpose.

10  
11 101. In raising the question of railway revenues  
12 from the movement of prairie grain under Crowsnest Pass  
13 rate structure, the railways introduce some issues  
14 whose content must be examined more fully. The  
15 issues, as stated in the joint railway submission are  
16 as follows:

17 (1) Work Load: "No other segment of traffic  
18 requires the railway to do as much  
19 work as does the movement of grain  
20 in western Canada." (para. 2)

21 (2) Major handicap: "It is the submission of the  
22 railways that the major handicap under  
23 which they are presently operating is  
24 the statutory prescription of very low  
25 rates for the movement of western  
26 grain." (para. 3)

27 (3) Increased costs: "The figures covering traffic  
28 moving at statutory and related rates  
29 show this traffic has not assumed any  
30 share of the increased costs since  
1949." (para. 36)





(4) Revenue base: "The basic measure of work performed by the railways is revenue ton miles. The following table indicates clearly that approximately one-third of the intra-Canadian service performed by the Canadian railways as reported in the waybill analyses is in the transportation of grain and grain products moving at statutory and related rates, although the revenue received by the railways for performing this service represents only slightly over 10 per cent of the total:

Year	Relationship of revenue from statutory and related rates to total revenue	Relationship of ton-mile of service performed at statutory and related rates to total ton-miles
1954	10.4	30.1
1955	8.9	25.6
1956	11.5	33.9
1957	9.9	31.7
1958	10.5	32.7

"The above figures show the disproportionate service being performed for the revenue received from grain and grain products moving at statutory and related rates." (paras.37 and 38)







1  
2 Saskatchewan Wheat Pool submits:

3 (1). Work load: It is true that the  
4 volume of grain traffic constitutes the biggest  
5 single item of railway freight business. But surely  
6 the matter of loading and unloading is a factor in  
7 total work load. Railway boxcars which carry grain  
8 are not specialized equipment and may without modifi-  
9 cation carry other commodities in season. The whole  
10 cost of loading and unloading grain and of preparing  
11 boxcars to contain grain is borne entirely by the  
12 grain grower and not by the railway companies.  
13 Saskatchewan Wheat Pool and other prairie grain agencies  
14 have increased their loading efficiency greatly during  
15 the years, contributing to the decrease in the lay-  
16 over time for a boxcar at any one delivery point  
17 and thereby reducing the railway's out-of-pocket expense  
18 in the loading operation.

19  
20 103. For example, the average capacity of  
21 Saskatchewan Wheat Pool country elevators has  
22 increased on the following basis: In 1938-39  
23 Saskatchewan Wheat Pool operated 1,091 country ele-  
24 vators with a total capacity (including annexes) of  
25 36,864,000 bushels for an average of 34,000 bushels  
26 an elevator, while in 1958-59 it operated 1,160 country  
27 elevators with a total rated capacity (including  
28 annexes) of some 84,000,000 bushels for an average  
29 of 73,000 bushels per unit. The elevators 20 years  
30 ago were equipped to elevate 1,800 to 2,000 bushels an





1  
2 hour, while elevators built in 1958-59 were equipped  
3 to elevate 3,000 to 4,000 bushels an hour. Many of  
4 the older elevators have been modified to handle grain  
5 at the more rapid rate. Taken in total Saskatchewan  
6 Wheat Pool through modernization of plant and equipment  
7 has doubled its total capacity in the 20-year period  
8 while it has increased its total number of elevators  
9 only slightly. By mid-July, 1960, Saskatchewan Wheat  
10 Pool operated 1,260 country elevators and annexes  
11 with a total rated capacity of 84,500,000 bushels.  
12 Similar modernization programmes have been undertaken  
13 at the lakehead, Vancouver and Port of Churchill  
14 terminals where the grain is unloaded from railway  
15 cars.  
16  
17 104. In addition to internal modernization  
18 programmes, there has also been a change in the pattern  
19 of grain movement largely because of the quota system  
20 of grain delivery supervised by The Canadian Wheat  
21 Board. This has meant more efficient utilization of  
22 available railway boxcars by decreasing the variability  
23 in grain movement and surely must be granted some  
24 credit in the assessment of railway costs of operation  
25 in the handling of prairie crops. Grain now moves  
26 from the prairie on a more regulated basis and over a  
27 longer period of time than before institution of the  
28 quota system. It would be difficult to argue the  
29 quota delivery system by itself does not contribute in  
30 some way to a decrease in the real cost of moving grain







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1  
2 from the prairies to export. There is no cost analysis  
3 to credit the importance of these various farmer factors  
4 in railway grain movement but it can hardly be argued  
5 they do not merit consideration when cost analyses are  
6 being examined.  
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1  
2 105. Major handicap: What is major among  
3 the alleged handicaps confronting railway operators  
4 today is, of course, a matter of opinion. One may well  
5 be the statutory rate structure for Prairie grain moving  
6 to export position but that allegation must be supported  
7 more fully than by presently-available evidence before  
8 Saskatchewan Wheat Pool will accept it. In another  
9 submission to this Royal Commission, prepared jointly  
10 for the three Prairie Wheat Pools and United Grain  
11 Growers Limited, economic analysts present evidence  
12 that railway losses from falling passenger traffic almost  
13 double the railway estimate of alleged losses for  
14 handling Prairie grain to export positions. I think it  
15 is more than three times the amount, according to the  
16 evidence given before this Commission. That analysis was  
17 based on the same formula the railways used in  
18 determining what they term revenue losses on the movement  
19 of grain. If in fact the railways prove beyond question  
20 that the movement of Prairie grain provides them with  
21 a net loss, how can they claim that measures to augment  
22 only grain movement revenues will right their position  
23 when by the same analysis and under the same formula  
24 there are major losses from other traffic as well?

25 106. Another major handicap must surely be  
26 the increase in freight and passenger traffic on  
27 competitive carriers - automobiles, trucks, boats,  
28 airplanes and pipelines. Table N indicates what has  
29 been happen as changing technology introduces other  
30 carrier systems. (Compiled from the Statistical Summary







1  
2 of the Progress of Canada, Canada Year Book, 1959, page  
3 1250.) In brief it may be said railway passenger traffic  
4 has fallen off sharply since 1951, railway freight  
5 handling has increased but at a decreasing rate, coastal  
6 shipping has increased sharply, freight moving on ships  
7 through the eastern Canadian canal system is up by 25  
8 per cent and airline traffic in both freight and  
9 passengers has more than doubled. Pipelines were not  
10 a major competitor in 1951 but they certainly are  
11 today in the movement of petroleum products formerly  
12 carried mainly by the railways. Additional detail in  
13 the 1959 Canada Year Book (Canada Year Book, 1959,  
14 pages 796 and 800) gives comparative increases in  
15 trucking traffic for both numbers of vehicles engaged  
16 in freight handling and in the total volume of freight  
17 carried. Since 1951 the total number of automobiles  
18 registered in Canada has nearly doubled. The real  
19 impact of competitive carriers on railway operations  
20 and revenues is a subject which must be considered in  
21 any assessment of handicaps to railway operation today.

22 107. (3). Increased Costs: It is an  
23 economic axiom that within limits the greater the  
24 number of units produced, handled or transported the  
25 lower the cost of each unit on an average. Surely  
26 the very fact that grain movements to export positions  
27 have increased from 1949 by the order of 288 to 270  
28 (comparing the average annual export of wheat in the  
29 five-year period ended 1948-49 with the five-year  
30 period ended 1958-59 (See compilation in para 86,





Chapter 111 of this submission.) has contributed something to declining unit costs for the movement of that Prairie grain. This Royal Commission might wish to pursue further analysis of the contribution to the reduction of railway unit costs in the movement of Prairie grain of matters such as increased grain volume and increased efficiency in farmer-operated country elevator and in terminal elevator loading and unloading practices. Also involved in the real increase in railway operating costs is the incidence of competitive carriers on traffic erosion for there is no denying the fact that railways now carry a decreasing portion of the increased traffic.

108. (4). Revenue Base: I have a note here which I would like to quote from, Mr. Chairman, when we are talking about the additional costs. I remember in my earlier days a long train from Maidstone going down the Battleford line with 20 box cars and a thousand bushels in each car. That has changed now -- not necessarily on the branch lines -- but on the main lines I have seen some trains with a hundred box cars each loaded with 2,000 bushels, and sometimes more, which means in actual income on the basis of 12 cents a bushel, the 20,000 bushels on the early train gave a net of \$3,190.00; whereas with this long train, with the same crew -- I assume the same number of crew -- it now gives a total revenue of \$24,000.00, as against just over \$3,000.00 thirty years ago. Saskatchewan Wheat Pool submits there is neither reason nor logic







1  
2 for excluding from the analysis of the relationship  
3 between grain-carrying revenues and so-called total  
4 revenues other railway services including passenger,  
5 express and less-than-carload freight traffic. Were  
6 the railway companies' total railway operation included  
7 in the analysis, the ratio of grain-freight revenue to  
8 total railway revenue would appear less under the same  
9 examination, but the cost relationship would also be  
10 different and the net result might be more favourable  
11 to grain movement. However, quite apart from this  
12 consideration, is it not so that the railways' major  
13 revenue problem arises now from the fact it has lost  
14 and is losing an increasing share of the high-revenue  
15 bearing freight traffic to competitive carriers and  
16 retaining a disproportionate share of the low-revenue  
17 bearing traffic such as Prairie grain? This question  
18 was considered by the Royal Commission on Canada's  
19 Economic Prospects which said in its report in 1956:  
20 "While railways have participated in the  
21 growth of traffic in recent years, their  
22 share of the total transportation market has  
23 steadily declined. Of even greater  
24 significance, the railway portion of total  
25 revenues has fallen even more precipitously.  
26 "The reason for this is that revenues earned  
27 from high-rated commodities have in the past  
28 provided a large proportion of railway  
29 overhead costs. With the loss of this traffic,  
30 the railways are being required to recover a





1  
2 larger proportion of overhead costs from lower-  
3 rated commodities, or traffic of the basic  
4 industries, which includes virtually the  
5 entire export market. The inexorable result  
6 must be to increase the cost of transportation  
7 for low rated commodities." (Report of Royal  
8 Commission on Canada's Economic Prospects,  
9 under the chairmanship of Walter Gordon,  
10 November, 1956, page 87.)

11 109. Considering the railway industry in its  
12 entirety, Table N indicates the closing of this gap  
13 between increasing railway revenues and increasing  
14 railway expenses. In 1941, for example, total railway  
15 revenues were of the order of \$538,000,000 compared  
16 with total railway expenses of \$403,000,000 or a ratio  
17 of something like 5-to-4. Ten years later those  
18 figures were reported as \$1,088,000,000 to \$977,000,000  
19 and in 1957, as \$1,365,000,000 to \$1,302,000,000.  
20 During the same period, railway passenger traffic fell  
21 away sharply to other passenger carriers - airways  
22 and automobiles, mainly -- and railway freight traffic  
23 while it increased absolutely, increased at a  
24 diminishing rate. The railways' own figures in their  
25 argument about the revenue base serve only to support  
26 the Gordon Report conclusion in showing that in total  
27 the low-revenue-bearing traffic under Crownest Pass  
28 rates claimed a larger share of total freight volume  
29 (from 30.1 per cent in 1954 to 32.7 per cent in 1958)  
30 while the revenue relationship increased only from







1  
2 10.4 per cent to 10.5 per cent and in fact in 1957 the  
3 revenue relationship was lower in a year when the  
4 volume relationship showed an absolute increase. It is  
5 not that the costs of moving grain have increased but  
6 that total railway costs now are borne by a smaller  
7 variety of railway traffic.

8 110. Saskatchewan Wheat Pool would agree that  
9 the railways quite properly raise the question of whether  
10 they can continue on the present revenue basis and still  
11 keep in business. However, the railways are quite  
12 wrongly directed in their attempt to increase revenue  
13 from the low-value grain movement to offset their real  
14 income difficulty. Whether increased revenues are  
15 acquired on Prairie grain as a subsidy to the railways  
16 in the name of the farmers or in the name of anyone  
17 else, the subsidy would still provide only a stop-  
18 gap remedy for a situation which appears to be chronic.  
19 There is no sign that traffic once lost by the railways  
20 to another carrier medium is ever fully returned and  
21 with even the current rate of technological advance there  
22 is every prospect that more advanced carriers will in  
23 the future claim further railway traffic, perhaps even  
24 the movement of grain itself.

25 111. The problem of today may be posed in  
26 this manner: The railways present a case before this  
27 Royal Commission and elsewhere that they have a real  
28 need for increasing income if they are to remain in  
29 business on the present basis; the grain producers  
30 present a case here and elsewhere that they have an





1  
2 industry which in the name of national prosperity must  
3 not be allowed to decline in absolute terms. It would  
4 appear that the answer to this problem lies within the  
5 province of the national government in the interest of  
6 the country as a whole and that it cannot be found by  
7 the one at the expense of the other, no matter what  
8 fine nuances of prose or economics are devised.

9           112. The railways, as have the grain  
10 producers, have made earnest and far reaching  
11 attempts to reduce their total costs of operation.  
12 They have dieselized their entire rail network, have  
13 trimmed running schedules drastically and have  
14 consolidated many of their operational units to effect  
15 economies in overhead and administration. Both  
16 railways now operate trucks in conjunction with rail  
17 service on a piggyback basis. Saskatchewan Wheat Pool  
18 understands from published statements of railway  
19 officers that both railways have undertaken a variety  
20 of studies designed to integrate many of their services,  
21 have introduced electronically-controlled equipment in  
22 various places, and have revamped much of their control  
23 mechanics along their entire rail networks.

24 Saskatchewan Wheat Pool understands CNR projects include  
25 electronically-controlled hump yards at Montreal,  
26 Moncton and Winnipeg, an automatic classification yard  
27 at Toronto and other yard improvements at Corner Brook  
28 and Saint John, that the CPR plans a new yard at  
29 Lancaster, N.B., piggyback facilities near Montreal,  
30 a new shop at Montreal's Glen Yards to expedite







1  
2 servicing of rail diesel cars and automatic gravity  
3 switching yard at Agincourt near Toronto to expedite  
4 traffic through that major rail centre; that both  
5 railways are expanding their centralized traffic  
6 control systems to increase speed and safety factors,  
7 are using data processing equipment to improve  
8 management control, operations, accounting and  
9 research, and are improving office buildings and yard  
10 facilities across their entire rail network. This  
11 variety of self-help is encouraging but it takes time  
12 to effect and there is no assurance, nor can there  
13 be any, that it will resolve the increasing disparity  
14 between railway incomes and railway costs.

15 113. Other questions must also be faced  
16 head-on by the farmers as well as by the nation and the  
17 railways. One is the vast multiplicity of rail services  
18 across many parts of the country. Another is the  
19 continuing propensity of some branch lines to carry only  
20 low-revenue traffic. In examining these problems it  
21 must be recognized that the social returns from any  
22 particular rail line must be weighed along with  
23 consideration of its economic returns. Any particular  
24 Prairie village may in fact be of greater social  
25 significance to its surrounding area than the economic  
26 returns of all the services it provides, railway  
27 included, would indicate. Some Prairie villages were  
28 settled because the railway was at that spot and would  
29 surely die were the railway to go. For this reason,  
30 among others, farmer-controlled organizations, the





1  
2 Saskatchewan Wheat Pool included, have found themselves  
3 arraigned on one side of an argument to discontinue a  
4 particular railway line with the railway companies  
5 arraigned on the other side. This fact of itself does  
6 not mean and should not be interpreted as meaning that  
7 the farmers are not aware of the real cost to the  
8 nation of maintaining some uneconomic rail services. To  
9 the contrary, it may be interpreted as meaning only  
10 that the farmers are standing on the social argument  
11 which may to them be of paramount importance concerning  
12 a particular rail line and at a particular point in  
13 time.

14 114. There is an honest difference of  
15 opinion among farming people about the whole subject  
16 of consolidation and integration of services, whether  
17 for railways or for farming itself. The trend to  
18 bigger farms and more complex farming procedures has  
19 been distressing for many in agriculture across the  
20 country. On the other hand, there have been many who  
21 welcome the trend as the only answer to mounting costs  
22 for an industry facing increased competition in its  
23 export markets. Some have found the answer for them  
24 in co-operative farming ventures. Saskatchewan  
25 Wheat Pool itself stands as a testament to the  
26 principle of co-operation in agriculture.

27 115. Saskatchewan Wheat Pool submits that  
28 it is not a proper question for a tribunal of any kind  
29 to ask a particular farming community to judge the  
30 question of the disbandonment of a particular railway







1  
2 line. Or for that matter about the discontinuance of  
3 any service whose existence forms the very framework  
4 within which that farming community was established  
5 and now continues. It would by the same token  
6 improper for any tribunal to ask the Canadian Pacific  
7 Railway to judge the introduction of a technological  
8 change for a competitive carrier which would appear to  
9 place the CPR in a disadvantageous position in respect  
10 to that competitor. In each case it would be  
11 unreasonable to expect the participants to reject their  
12 own self-interest or to understate it. However, it  
13 would be proper to ask the opinion of each and for those  
14 charged with making the ultimate judgment to take into  
15 account the opinions of the various interests as well  
16 as the general interest of the nation itself which may  
17 not be represented in the separate arguments. Once the  
18 judgment has been made, about the branch-line  
19 disbandonment or about the technological change for a  
20 competitive carrier, both the farming community and  
21 the railway company may be expected to adjust them-  
22 selves and to continue to exist within the new  
23 framework.

24 116. Saskatchewan Wheat Pool submits that  
25 now is the time for a very general and total  
26 reassessment of railway operations both of themselves  
27 and within the perspective of total transportation  
28 facilities in the country. Now is the time to determine  
29 the real cost of operating the complex variety of  
30 transportation services and to assess the real worth





1  
2 and the real cost to the country of continuing all  
3 those services as they now are or of changing them  
4 for the benefit of the country as a whole. With this  
5 in mind, Saskatchewan Wheat Pool advances some  
6 general questions which this Royal Commission might  
7 consider.

8 117. (1) Is it possible to continue railway  
9 operations in Canada on the basis of two major trans-  
10 continental systems, paralleling each other in some  
11 instances, providing duplicate services in others and  
12 in some instances providing services which may better  
13 be provided, and in some instances are at the moment  
14 better provided, by competitive media to the end that  
15 neither the railways nor the competitor can operate  
16 effeciently nor economically? Is the real worth to  
17 the country enough to support its real cost?

18 118. (2) Would it solve the railways'  
19 cost-income situation were all their capital facilities  
20 such as tracks, yards, stations and other buildings  
21 taken over by the government and operated and  
22 maintained by the public purse on the same basis the  
23 government, both federal and provincial, now operate  
24 and maintain all waterways and canals for shipping,  
25 highways and roads for trucking, airport and  
26 navigational aids for airways? Would such a proposal  
27 give the government a better basis on which to judge  
28 continuation or disbandonment of railway facilities  
29 in the general national interest without regard to  
30 the net income and traffic returns in any particular







1  
2 portion of the line?

3 119. (3) Has the time come for the complete  
4 nationalization of all railway services into one crown  
5 corporation within which all its many parts may be  
6 operated and maintained in the public interest? In  
7 some provinces, the power utility has become a public  
8 utility and operated for the total good of the  
9 province, in some instances because private power  
10 utility ownership has not been able to keep abreast  
11 of the public need while at the same time continuing  
12 as a profit-producing corporation.

13 120. (4) Is there a real need now for an  
14 over-all control body for the regulation of all  
15 transportation in the public interest?

16 121. The subject of nationalization of  
17 railways has been considered many times by members of  
18 Saskatchewan Wheat Pool. In 1956 their annual meeting  
19 approved a resolution calling for "the federal  
20 government to nationalize and operate the CPR in the  
21 interest of all Canada." In 1957 they resolved "that  
22 the Saskatchewan Wheat Pool press for nationalization  
23 of the CPR." In 1959 they resolved "that the railroads  
24 in Canada should be a crown corporation and be  
25 operated for the benefit of the people and not as a  
26 profit-making utility."

27 And then last week, this resolution: We  
28 recommend the Saskatchewan Wheat Pool support every  
29 effort toward nationalising the CPR.

30 122. Nationalization of railroads has been





1  
2 considered before by royal commissions and tribunals.  
3 In 1932 a proposal to nationalize the railroads was  
4 rejected by the Duff Royal Commission on Transportation  
5 which argued that "to establish a monopoly of such  
6 magnitude and importance would place in the hands of  
7 those responsible for the administration of the system  
8 powers that would, if not properly exercised, prejudice  
9 the interests of the Dominion as a whole." In 1939 a  
10 special committee of the Senate also rejected the  
11 proposal with the admonition that "the agitation for  
12 unification be ended by frank recognition of the fact  
13 that unification of the railways is not possible of  
14 adoption." In 1951 the Turgeon Royal Commission on  
15 Transportation rejected the proposal, citing that its  
16 terms of reference did not encompass such a broad  
17 question and that "a proper study of such a subject  
18 would have required an expenditure of time and an  
19 employment of skill that it has not been considered  
20 to embark upon." (For details of these rejections,  
21 see report of Turgeon Royal Commission on Transportation,  
22 1951, pages 128-130.)

23 123. Phrased another way the reasoning of  
24 these three rejections pleads "fear of consequence,"  
25 "it won't work" and "we haven't had time or money to  
26 study the question but we'll say no in the meantime."  
27 All three are the reasoning of the faint in heart and  
28 the farmer may borrow from the proverb, "faint heart  
29 never won fair lady." Nor, to paraphrase, did it  
30 create the Dominion of Canada, build the Canadian







1  
2 Pacific Railway, settle the Prairie west nor develop  
3 one of the most prosperous economies in the world. All  
4 these were accomplished despite the impossibilities of  
5 geography and the rigors of climate by the vision, energy  
6 and resourcefulness of the men of yesterday and  
7 today.

8 124. The reality of the monopoly fear is  
9 long gone, dissipated by the advancing technology which  
10 has displaced the railway from its lone primacy down to  
11 a scramble with airways, highways, seaways and pipelines,  
12 for a traffic that in total may not assure them all  
13 survival. For this luxury, Canadians pay dearly,  
14 especially those on the Prairie where the choice is  
15 limited. The plea that an alternative is not possible,  
16 is no plea at all in a time when the ultimate  
17 alternative is survival or not. The claim that there  
18 is neither time nor opportunity to assess the question  
19 will not do forever. The order-in-council which  
20 established this Royal Commission names specifically  
21 five questions to "examine and make recommendations  
22 upon." They are:

- 23 (a) Inequities in the freight rate  
24 structure, their incidence upon the various  
25 regions of Canada and the legislative and  
26 other changes that can and should be made,  
27 in furtherance of national economic policy,  
28 to remove or alleviate such inequities;  
29 (b) the obligations and limitations imposed  
30 upon railways by law for reasons of public





1  
2 policy, and what can and should be done to  
3 ensure a more equitable distribution of any  
4 burden which may be found to result  
5 therefrom;

6 (c) the possibilities of achieving more  
7 economical and efficient railway  
8 transportation;

9 (d) whether, and to what extent, the Railway  
10 Act should specify what assets and earnings  
11 of railway companies in businesses and  
12 investments other than railways should be  
13 taken into account in establishing freight  
14 rates; and

15 (e) such other related matters as the  
16 commissioners consider pertinent or  
17 relevant to the specific or general scope of  
18 the inquiry. (Transcript of hearings, Royal  
19 Commission on Transportation, preliminary  
20 organizational meeting, Ottawa, Sept. 17-18,  
21 1959, page 3.)

22 125. Saskatchewan Wheat Pool submits that  
23 these five charges separately and together give this  
24 Royal Commission whatever authority it may need not  
25 only to consider but also to recommend direct action  
26 by the government for nationalization of all railway  
27 operating equipment and plant or for nationalization of  
28 all railway operations into one crown corporation. If  
29 there is need for further study of this or any other  
30 question, this body has the right and the duty to call







1  
2 for it now.

3 126. Saskatchewan Wheat Pool would welcome  
4 action by this Royal Commission toward integration of  
5 Canadian rail services on two bases:

6 (1) Nationalization of all railway plant  
7 other than actual running stock by which is meant the  
8 creation of one Crown Corporation to own and operate  
9 present railway facilities including track, stations,  
10 yards, warehouses, telegraph services and the like.  
11 Integration of this kind of railway plant would allow  
12 wide economies by elimination of duplicate and parallel  
13 tracks and reduction of administrative and overhead  
14 services.

15 (2) Amalgamation of all railway operations  
16 at the transportation level by which is meant the  
17 creation of one Crown Corporation for the operation of  
18 the railway service as a national utility in the  
19 national interest.

20 127. These two steps might be adopted  
21 separately or together but they must be undertaken only  
22 after serious study of the entire railway picture and  
23 not on any piece-meal basis.

24 128. Amalgamation of railway services on  
25 either or both of these bases might sufficiently reduce  
26 railway costs of operation to allow continuing railway  
27 service at rates more easily met by traffic totally  
28 dependent on railway service. They might also allow  
29 railways as carriers the better to meet competitive  
30 rates of other carriers for traffic which now enjoys





1  
2 a choice of carrier.

3 129. In the interim -- and I emphasize this,  
4 Mr. Chairman -- Saskatchewan Wheat Pool will continue  
5 to oppose any piece-meal attempts by either railway  
6 company to discontinue service or abandon present lines  
7 outside of the total framework of a genuine integration  
8 program.

9 130. Aside from the question of successful  
10 and efficient railway operation there is the broader  
11 question of integration of the entire transportation  
12 industry. One of the causes of the railway problem as  
13 such is the increasing traffic erosion to other modes  
14 of carriers. At the moment there is no unified body  
15 concerned with all transport. Even Parliament may  
16 only legislate concerning transport specifically  
17 within its jurisdiction which excludes highway traffic.  
18 Under present legislation railway traffic and rates  
19 are controlled by the Board of Transport Commissioners;  
20 inland and deep-sea seaway carriers are controlled in  
21 part by the Canadian Maritime Commission although their  
22 rates are generally set competitively; airway traffic is  
23 controlled by the Air Transport Board although some of  
24 the air traffic rates are set by international  
25 agreement; and highway traffic and trucking rates are  
26 controlled and set individually by each of the 10  
27 provincial governments.

28 Pipelines originally came under the  
29 jurisdiction of the Board of Transport Commissioners.  
30 However, in 1959 Parliament established the National







1  
2 Energy Board which subsequently took over control of  
3 pipelines carrying energy or sources of energy. In  
4 this connection Saskatchewan Wheat Pool observes that  
5 the establishment of the National Energy Board with  
6 power to regulate pipeline traffic increases to at  
7 least four the number of federal bodies regulating  
8 national transportation in Canada aside from Parliament  
9 itself and apart from the various provincial bodies  
10 outside of federal jurisdiction. (Saskatchewan Wheat  
11 Pool - Ottawa 16-11-60). Whether these several features  
12 should be encompassed within one all-inclusive federal  
13 body is a moot point. The grain growers of Saskatchewan  
14 Wheat Pool are not of themselves agreed that integration  
15 at this level would be desirable for them or for the  
16 country. In other words, sir, our position at the  
17 present time is not clarified. They know only too well  
18 that in the west the main competition to the railway  
19 is the highway and they would hesitate to make any  
20 proposal which might adversely affect trucking rates  
21 in such a way as to create any further transportation  
22 burden for them. But this aside, there is good  
23 reason to suggest that the whole picture of the  
24 Canadian transportation industry should be reviewed.  
25 Saskatchewan Wheat Pool suggests that this Royal  
26 Commission consider further study over the long-run  
27 and that it recommend institution of continuing  
28 research directed at unifying policies on transportation  
29 at both the provincial and federal levels.

30 131. In conclusion Saskatchewan Wheat Pool





1  
2 submits that anything less than the over-all approach  
3 would only produce another stop-gap solution. Since  
4 the outset of Canada as a nation, transportation has  
5 been a major concern of government. It was within  
6 the framework of adequate transportation services as  
7 they were available at the time that the Canadian economy  
8 developed, the grain-growing industry of the Prairies  
9 being one part of the total development. It is the  
10 inequity of the burden of transportation costs, falling  
11 most heavily as they do on the people of western Canada  
12 and some other areas of the country where alternative  
13 transportation facilities are not so readily available,  
14 which poses the major problem for much of the Canadian  
15 economy today. It will be through the application of  
16 realistic transportation policy that the final solution  
17 will be found. Nowhere in the world does an economy  
18 depend more on industrialized transportation to keep  
19 the scattered and sparsely-populated parts together and  
20 to stimulate trade among them and between Canada and  
21 the rest of the world.

22 I have one other thing before I close, Mr.  
23 Chairman.

24 Moved by Gordon South, seconded by B.J. Klotz.

25 WHEREAS Mr. J.H. Wesson, president of the  
26 Saskatchewan Wheat Pool, is scheduled to make a  
27 submission on behalf of the Wheat Pool before the  
28 Royal Commission on Transportation in Ottawa on  
29 Thursday, November 17th; and

30 WHEREAS the two major railways have contended







1  
2 in their original joint submissions to the Commission  
3 that they are sustaining substantial net losses on  
4 their movement of Prairie grain to export positions  
5 under existing statutory grain rates; and

6 WHEREAS the railways have asked the Royal  
7 Commission to support their proposal for a Federal  
8 government subsidy to compensate for these claimed  
9 losses and have proposed that this subsidy be  
10 considered as a subsidy to the prairie grain farmer,  
11 in spite of the fact that western farm organizations  
12 have seriously questioned these losses, and in spite  
13 of the fact that the rates, known as Crow's Nest Pass  
14 rates, were established by an agreement which also  
15 recognized substantial grants and benefits for railway  
16 construction and operation and were subsequently  
17 confirmed by Parliamentary statute; and

18 WHEREAS the railway companies have  
19 recommended the amount of the subsidy be established  
20 each year on the basis of the number of bushels of  
21 prairie grain actually carried under Cros's Nest Pass  
22 rates; and

23 WHEREAS such a procedure for establishing a  
24 subsidy would completely disregard losses sustained  
25 by the two railway companies for such other railway  
26 operations as passenger service, small shipments,  
27 agreed charges, competitive rates and for the operation  
28 of lines built and maintained as part of national  
29 policy;

30 THEREFORE BE IT RESOLVED that this meeting of





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delegates of the Saskatchewan Wheat Pool instruct its president, Mr. Wesson, to lodge with the Royal Commission on Transportation the strongest possible protest against this and any other proposal to label a subsidy to the railway companies as a subsidy to the prairie grain producers.

Carried Unanimously.







STATISTICAL APPENDIX

(Tables A to N)

- A - Population of Canada by provinces for selected years (Canada Year Book).
- B - Statistical summary of Canada showing population and production figures of major industries for selected years (Canada Year Book).
- C - Leading Canadian exports, 1890 - 1939 (Canada Year Book).
- D - Leading Canadian exports, 1939 - 1957 (Canada Year Book).
- E - Statistical summary of Canada showing trade and finance figures for selected years (Canada Year Book).
- F - World wheat exports by selected countries for selected years (Food and Agricultural Organization's Trade Year Book).
- G - World wheat imports by selected countries for selected years (Food and Agricultural Organization's Trade Year Book).
- H - Canadian wheat supply and disposition from 1908 to 1959 (Canadian Agriculture Department).
- I - World wheat production by selected countries (Grain Trade Year Book).
- J - World wheat acreage by selected countries (Grain Trade Year Book).
- K - Saskatchewan wheat acreage and production from 1908 to 1959 (Canadian Agriculture Department).





- 1
- 2 L - Farm machinery census by provinces for selected
- 3 years (Canada Year Book).
- 4 M - Farm grain storage in Saskatchewan on selected
- 5 dates (Canadian Wheat Board).
- 6 N - Statistical summary of Canada showing transportation
- 7 figures for selected years (Canada Year Book).
- 8
- 9
- 10

11 SUPPLEMENTARY DOCUMENT

12 Deficiency Payments, a pamphlet published by

13 Saskatchewan Wheat Pool for use in 1959 at the time

14 the Prairie grain-grower delegation met the Prime

15 Minister and his Cabinet in Ottawa on the subject of

16 deficiency payments for Prairie grain growers.

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TABLE A

POPULATION OF CANADA, BY PROVINCES AND TERRITORIES, CENSUS YEARS 1871-1956

SOURCE: - THE CANADA YEAR BOOK, DOMINION BUREAU OF STATISTICS (1959 - P. 142, 1942 - P. 84

PROVINCE OR TERRITORY	1871	1881	1891	1901	1911	1921	1931	1941	1951	1956
NEWFOUNDLAND	-	-	-	- 1/	- 1/	- 1/	- 1/	- 1/	361,416	415,074
PRINCE EDWARD ISLAND	94,021	108,891	109,078	103,259	93,728	88,615	88,038	95,047	98,429	99,285
NOVA SCOTIA	387,800	440,572	450,396	459,574	492,338	523,837	512,845	577,962	642,584	694,717
NEW BRUNSWICK	285,594	321,233	321,263	331,120	351,889	387,876	408,219	457,401	515,697	554,616
QUEBEC	1,191,516	1,359,027	1,486,535	1,648,898	2,005,776	2,360,510	2,874,662	3,331,882	4,055,681	4,628,378
ONTARIO	1,620,851	1,926,922	2,114,321	2,182,947	2,527,292	2,933,662	3,431,683	3,787,655	4,597,542	5,404,933
MANITOBA	25,228	62,260	152,506	255,211	461,394	610,118	700,139	729,744	776,541	856,040
SASKATCHEWAN	-	-	-	91,279	492,432	757,510	921,785	895,992	831,728	880,665
ALBERTA	-	-	-	73,022	374,295	588,454	731,605	796,169	939,501	1,123,116
BRITISH COLUMBIA	36,247	49,459	98,173	178,657	392,480	524,582	694,263	817,861	1,165,210	1,398,464
YUKON	-	-	-	27,219	8,512	4,157	4,230	4,914	9,096	12,190
NORTH WEST TERRITORIES <sup>2/</sup>	48,000	56,446	98,967	20,129	6,507	8,143	9,315	12,028	16,004	19,213
CANADA	3,689,257	4,323,810	4,833,239	5,371,315	7,206,643	8,787,949 <sup>3/</sup>	10,376,786	11,506,655	14,009,429	16,089,791

- 1/ POPULATIONS OF NEWFOUNDLAND (NOT PART OF CANADA UNTIL 1949) WERE: - 1901, 220,984; 1911, 242,619; 1921, 253,033; 1931, 281,500 (ESTIMATED); 1941, 303,300 (ESTIMATED); AND 1945, 321,819.
- 2/ PRELIMINARY FIGURES.
- 3/ INCLUDES 485 MEMBERS OF THE ROYAL CANADIAN NAVY RECORDED SEPARATELY IN 1921.



TABLE B

STATISTICAL SUMMARY OF THE PROGRESS OF CANADA - POPULATION AND PRODUCTION

SOURCE: - CANADA YEAR BOOK 1929, DOMINION BUREAU OF STATISTICS, P.1244

ITEM	1871	1881	1891	1901	1911	1921	1921	1941	1951	1957
POPULATION 1/ CANADA, TOTALS	3,689,257	4,324,810	4,833,239	5,371,315	7,206,643	8,787,949	10,376,786	11,506,655	14,009,429	16,589,000
IMMIGRATION TOTALS	27,773	47,991	82,165	49,149	331,288	91,728	27,530	9,329	194,391	282,164
PRODUCTION NET VALUE \$'000	-	-	-	-	-	-	-	4,552,289	13,103,634	-
AGRICULTURE OCCUPIED FARMS '000 ACRES	36,046	45,358	58,998	63,422	108,969	140,388	163,114	173,563	174,047	-
IMPROVED LANDS '000	17,336	21,899	27,730	30,166	48,734	70,770	89,732	91,936	96,853	-
FARM CASH INCOME \$'000	-	-	-	-	-	-	-	880,849	2,782,750	2,575,301
FIELD CROPS <sup>2/</sup>	16,724	32,350	42,145	55,572	132,078	226,508	312,325	314,710	552,678	370,508
WHEAT PRODUCTION '000 BUS.	16,993	38,820	31,666	36,122	104,817	374,179	123,550	192,642	856,785	442,370
TOTALS, FIELD CROPS '000 ACRES	111,117	155,277	194,767	237,682	384,514	953,046	435,966	678,899	2,140,631	1,405,557
LIVESTOCK, POULTRY <sup>3/</sup>	-	-	-	274,375	630,113	844,452	558,800	613,354	1,995,396	1,504,007
TOTALS \$'000	-	-	-	66,471	103,382	161,829	139,769	205,278	465,270	532,110
FARM VALUE MILK PRODUCTION \$'000	-	-	-	-	-	-	-	-	-	-
FORESTRY PRIMARY FOREST PRODUCTION \$'000	-	-	-	-	-	-	-	-	-	-
EXPORTS, WOODPULP & PAPER \$'000	-	-	25,351	33,100	56,335	168,654	141,124	225,616	821,022	1,456,125
MINERAL PRODUCTION TOTALS \$	-	10,221,255 <sup>5/</sup>	18,976,616	65,797,911	103,220,994	171,923,342	230,434,726	560,241,290	1,245,483,595	2,190,322,392
MANUFACTURING EMPLOYEES NUMBER	187,942	254,935	369,595	399,173	515,203	438,555	528,640	961,178	1,258,375	1,359,061
CAPITAL, \$	77,964,020	165,302,523	353,213,000	446,916,487	1,247,383,609	2,697,838,073	3,705,011,893	4,905,503,965	3,276,289,317	4,819,627,999
SALARIES & WAGES \$	40,851,009	52,423,002	100,715,350	113,249,350	241,008,416	497,399,761	587,566,990	1,209,862,643	1,974,226,353	2,974,226,353
MATERIALS USED IN PRODUCTS	124,907,846	179,918,593	220,752,292	260,321,838	601,509,316	1,364,262,885	1,221,911,982	3,299,547,019	9,974,226,353	11,900,131,703
GROSS VALUE MANUFACTURES	221,617,773	309,676,058	469,847,886	481,053,375	1,195,973,339	2,488,981,148	2,551,125,448	6,076,306,124	16,392,187,132	22,183,594,311
NET VALUE MANUFACTURES	96,709,921	129,751,415	219,082,594	214,522,517	564,466,621	1,123,694,263	1,952,017,248	2,603,119,768	6,940,046,783	9,822,084,726
WHOLESALE INDEXES (1935-39 = 100)	81.3	72.4	67.1	63.7	81.1	143.4	94.0	116.4	240.2	227.4
CONSUMER PRICE INDEX (1949 = 100)	-	-	-	-	-	80.9	67.9	69.6	113.7	121.9

1/ AT EVERY CENSUS THE PREVIOUS POST-CENSAL ESTIMATES MADE AT JUNE 1 EACH YEAR ARE ADJUSTED TO THE NEWLY RECORDED POPULATION FIGURES.  
2/ FIGURES FOR THE DECENNIAL CENSUS YEARS 1871-1921 ARE FOR THE IMMEDIATELY PRECEDING YEARS; THOSE FOR 1871 ARE FOR THE FOUR ORIGINAL PROVINCES ONLY.

3/ ON FARMS ONLY.  
4/ YEARS ENDED MARCH 31 PRIOR TO 1921.

5/ INCLUDES OTHER ITEMS NOT SPECIFIED.  
6/ INTERCENSAL ESTIMATE - EXCLUDES HOUSEHOLDS IN INSTITUTIONS.





TABLE C

LEADING EXPORTS (EXCLUDING GOLD) OVER FIVE DECADES, 1890-1939

SOURCE: CANADA YEAR BOOK, 1941, P. 428

NOTE: COMMODITIES ARRANGED IN ORDER OF IMPORTANCE IN 1939

COMMODITY	YEARS ENDED MARCH 31				YEARS ENDED DECEMBER 31			
	1890	1900	1910	1920	1920	1929	1939	
NEWSPRINT	1/	1/	2,612,243	53,640,122	133,370,932	115,685,970		
WHEAT	388,861	11,995,488	52,609,351	185,045,806	185,786,026	109,050,542		
NICKEL	1/	1,040,498	3,320,054	9,039,221	20,505,324	57,933,511		
PLANKS AND BOARDS	17,637,308	22,015,990	33,100,387	75,216,193	36,743,267	48,829,466		
COPPER IN FORMS	1/	1/	1/	541,338	837,944	40,232,279		
MEATS	895,767	13,615,621	8,013,680	96,161,234	7,569,023	37,445,336		
WOODPULP	168,180	1,816,016	5,204,597	41,383,482	39,059,979	31,000,602		
FISH	8,099,674	10,564,688	15,179,015	40,687,172	30,097,635	27,967,290		
ALUMINUM IN BARS, ETC.	1/	1/	1,202,723	5,680,871	7,728,857	25,684,476		
WHEAT FLOUR	521,383	2,791,885	14,859,854	94,262,922	37,540,495	16,378,301		
AUTOMOBILES	1/	1/	405,011	14,883,607	18,798,783	22,551,011		

1/ NONE RECORDED.



TABLE D

## LEADING DOMESTIC EXPORTS, 1929, 1946 AND 1954-57

SOURCE: CANADA YEAR BOOK 1959, P. 989

NOTE: COMMODITIES ARE ARRANGED IN ORDER OF VALUE IN 1957

COMMODITY	1929	1946	1954	1955	1956	1957
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
NEWSPRINT PAPER	115,667	265,865	635,670	665,877	708,385	715,490
WHEAT	109,051	250,306	375,339	338,216	513,081	380,415
WOOD PULP	31,000	114,021	271,418	297,304	304,536	292,406
PLANKS AND BOARDS	48,829	125,391	324,724	385,313	326,445	281,681
NICKEL, PRIMARY AND SEMI-FABRICATED	57,934	55,205	182,154	215,169	222,909	248,253
ALUMINUM, PRIMARY AND SEMI-FABRICATED	25,950	51,390	182,392	210,971	234,806	229,386
COPPER, PRIMARY AND SEMI-FABRICATED	52,396	34,940	127,334	163,924	194,206	162,109
IRON ORE	43	4,353	39,719	99,814	144,443	152,281
PETROLEUM, CRUDE AND PARTLY REFINED	1/	-	6,318	36,253	103,923	140,975
URANIUM ORES AND CONCENTRATES	-	-	8,056	26,533	45,777	127,935

1/ LESS THAN \$500,000.





TABLE E

## STATISTICAL SUMMARY OF THE PROGRESS OF CANADA - TRADE AND FINANCE

SOURCE:- CANADA YEAR BOOK 1959, DOMINION BUREAU OF STATISTICS, P. 1252-54

ITEM	1871	1881	1891	1901	1911	1921	1931	1941	1951	1957
<b>FOREIGN TRADE 1/</b>										
EXPORTS, DOMESTIC \$'000	57,630	83,945	88,612	177,431	274,317	1,189,164	587,653	1,621,003	3,914,460	4,839,094
RE-EXPORTS \$'000	9,853	13,375	8,789	11,078	15,084	21,264	11,907	19,351	43,286	93,286
IMPORTS FOR CONSUMPTION \$'000	84,214	90,488	111,334	177,931	452,725	1,240,159	628,928	1,448,192	4,084,924	5,622,410
TOTAL FOREIGN TRADE \$'000	151,698	187,808	209,004	372,440	742,725	2,450,587	1,227,559	3,089,246	8,046,241	10,557,191
EXPORTS TO UNITED KINGDOM \$'000	21,734	42,637	43,244	92,858	132,157	312,845	170,597	658,228	631,461	737,520
IMPORTS FROM UNITED KINGDOM \$'000	48,498	42,885	42,019	42,820	109,935	213,974	109,468	219,419	420,985	521,558
EXPORTS TO UNITED STATES \$'000	29,164	31,038	37,743	67,984	104,116	542,323	240,197	599,713	2,297,675	2,867,608
IMPORTS FROM UNITED STATES \$'000	27,186	30,339	32,033	107,378	275,824	850,177	392,775	1,604,998	2,816,927	3,998,549
EXPORTS TO OTHER COUNTRIES \$'000	3,120	3,926	3,791	8,706	27,824	243,389	127,675	142,649	744,379	1,000,838
IMPORTS FROM OTHER COUNTRIES \$'000	5,112	8,655	15,103	23,900	47,435	117,979	62,323	84,351	544,840	864,042
<b>EXPORTS BE SELECTED ITEMS</b>										
WHEAT EXPORT \$'000 BUS.	1,749	2,524	2,108	9,740	45,802	129,215	194,826	196,646	237,051	232,461
WHEAT FLOUR EXPORT \$'000 BBL.	1,982	2,594	1,583	8,872	42,321	310,952	17,871	101,856	241,043	380,115
BEEF AND VEAL \$'000 CWT.	306	240	287	1,119	3,049	6,017	5,697	11,329	12,079	380,115
PLANKS AND BOARDS \$'000 M. FT.	1,010	2,173	1,380	4,015	13,855	66,520	20,207	44,807	113,854	67,175
WOOD PULP \$'000 CWT.	41	84	97	813	10	320	21	62	996	1,336
NEWSPRINT \$'000 CWT.	-	-	281	97	92	371	430	92	3,435	1,336
FARM IMPLEMENTS \$'000	-	-	-	1,127	743	1,604,463	937,733	2,232,139	3,412,193	3,633,937
COPPER \$'000 LB.	6,246	39,604	10,964	26,745	57,905	12,527	19,789	40,912	304,193	54,613
NICKEL \$'000 LB.	120	150	305	2,652	34,275	47,018	6,529	27,260	281,691	397,715
	-	-	240	9,958	3,842	9,405	14,182	67,560	136,689	308,440
<b>FEDERAL FINANCE 2/</b>										
CUSTOMS DUTIES \$	11,841,105	18,406,092	23,395,218	28,293,930	71,635,029	163,266,304	131,209,955	130,757,011	295,721,750	549,074,860
EXCISE DUTIES \$	4,297,945	3,323,022	6,914,510	10,218,266	16,866,237	37,118,357	57,744,808	88,607,153	241,046,174	271,443,561
TOTAL RECEIPTS FROM TAXATION \$	16,300,365	22,942,139	30,220,068	38,512,196	88,501,266	200,384,661	289,954,763	219,364,164	546,767,924	820,518,421
GROSS DEBT \$	115,492,083	195,861,537	289,899,230	354,732,433	474,344,487	2,902,432,117	2,610,205,699	5,018,228,377	16,925,301,028	18,326,120,715
NET ASSETS \$	37,160,165	44,465,151	52,070,139	85,752,429	134,809,435	360,607,133	348,653,762	1,370,236,333	5,489,992,080	7,318,229,257
NET DEBT \$	77,706,518	155,395,780	237,809,091	268,980,004	340,042,052	2,540,825,984	2,261,551,937	3,648,991,449	11,435,314,948	11,007,891,458
<b>CHARTERED BANKS 3/ 4/</b>										
TOTALS, DEPOSITS \$	56,267,391	94,345,481	146,396,968	249,573,327	980,433,788	2,264,586,736	2,422,834,828	3,464,781,814	8,464,510,837	13,234,001,000

1/ FISCAL YEARS PRIOR TO 1931.

2/ UNLESS OTHERWISE STATED, FIGURES ARE FOR FISCAL YEARS ENDED WITHIN YEARS GIVEN.

3/ AS AT JUNE 30 FROM 1871 TO 1901. ANNUAL AVERAGES OF MONTH-END FIGURES FROM 1911 TO 1951. AS AT DECEMBER 31 FOR 1955 AND SUBSEQUENT YEARS.

4/ INCLUDES DEPOSITS OF FEDERAL AND PROVINCIAL GOVERNMENTS AND ALSO DEPOSITS ELSEWHERE THAN IN CANADA FROM 1901.



TABLE F

## WORLD EXPORT PICTURE - WHEAT

SOURCE: - FAO'S TRADE YEAR BOOK 1958, P. 84-85

CONTINENT AND COUNTRY	1934-38	1948-52	1955	1956	1957
(THOUSAND METRIC TONS)					
<u>EUROPE</u>					
FRANCE	316.5	333.8	2,276.6	882.7	922.7
GERMANY, WEST	49.4	0.2	1.3	12.7	21.2
EAST		3.0	8.3	0.6	0.1
UNITED KINGDOM	4.6	0.6	-	-	-
<u>TOTAL 1/2/</u>	1,980.0	660.0	2,765.0	1,327.0	1,815.0
	-	-	2,911.0	1,391.0	1,831.0
<u>U.S.S.R.</u>	658.8	-	2,035.8	1,452.4	5,450.8
<u>NORTH AND CENTRAL AMERICA</u>					
CANADA	4,282.8	5,990.1	5,170.1	8,221.5	6,326.7
UNITED STATES	766.6	9,068.0	6,014.8	11,137.8	11,283.2
<u>TOTAL</u>	5,050.0	14,951.0	11,185.0	19,474.0	17,618.0
<u>SOUTH AMERICA</u>	3,310.0	1,907.0	4,028.0	2,960.0	2,796.0
<u>TOTAL</u>	480.0	210.0	302.0	389.0	410.0
<u>ASIA</u>	<u>TOTAL 1/2/</u>	-	332.0	460.0	412.0
<u>AFRICA</u>	<u>TOTAL</u>	450.0	156.0	446.0	215.0
<u>OCEANIA</u>					
AUSTRALIA	2,032.0	2,086.9	1,639.3	2,666.8	1,669.3
NEW ZEALAND	2,032.0	2,087.0	1,639.0	2,667.0	1,669.0
<u>TOTAL</u>	13,950.0	19,981.0	20,267.0	27,032.0	24,466.0
<u>WORLD TOTAL 1/2/</u>	-	-	22,578.0	28,619.0	29,935.0
<u>REGIONAL TOTALS</u>					
WESTERN EUROPE	800.0	453.0	2,473.0	1,189.0	1,815.0
EASTERN EUROPE	1,180.0	-	438.0	202.0	10.0
U.S.S.R.	659.0	-	2,035.0	1,452.0	5,451.0
NORTH AMERICA	5,050.0	14,958.0	11,185.0	19,474.0	17,618.0
LATIN AMERICA	3,310.0	1,912.0	4,028.0	2,960.0	2,796.0
NEAR EAST	215.0	206.0	303.0	386.0	406.0
FAR EAST	280.0	4.0	30.0	74.0	6.0
AFRICA	435.0	156.0	446.0	215.0	158.0
OCEANIA	2,032.0	2,087.0	1,639.0	2,667.0	1,669.0





TABLE 6

WORLD IMPORT PICTURE - WHEAT

SOURCE: FAO'S TRADE YEAR BOOK 1958, P.84-85

CONTINENT AND COUNTRY	1934-38	1948-52	1955	1956	1957
	(THOUSAND METRIC TONS)				
EUROPE					
FRANCE	579.3	530.3	231.7	1,326.3	699.6
GERMANY, EAST	673.3	2,457.0	555.0	606.0	1,078.0
WEST		4,111.5	2,234.9	2,969.8	2,291.9
UNITED KINGDOM	5,111.8		4,563.1	4,858.0	4,604.0
TOTAL 1/ 2/	10,950.0	12,261.0	12,809.0 14,979.0	15,240.0 17,063.0	19,588.0 18,478.0
U.S.S.R.	53.0	-	29.1	443.3	122.1
NORTH AND CENTRAL AMERICA					
CANADA	37.2	5.3	2.4	262.2	3.6
UNITED STATES	718.2	516.4	220.9	474.0	238.5
TOTAL	790.0	896.0	407.0		405.0
SOUTH AMERICA					
TOTAL	1,114.0	1,386.0	2,385.0	2,274.0	2,000.0
ASIA					
TOTAL	-	-	3,818.0	5,371.0	7,103.0
AFRICA					
TOTAL	120.0	1,081.0	423.0	1,226.0	1,248.0
OCEANIA					
AUSTRALIA	31.6	171.3	230.8	264.5	281.8
NEW ZEALAND	32.0	173.0	231.0	265.0	282.0
TOTAL	63.6	344.3	461.8	529.5	563.8
WORLD TOTAL 1/ 2/	18,754.0	19,947.0	20,028.0 22,272.0	24,778.0 27,116.0	24,545.0 29,638.0
REGIONAL TOTALS					
WESTERN EUROPE	10,895.0	12,254.0	12,493.0	15,054.0	13,251.0
EASTERN EUROPE	33.0	-	2,496.0	2,009.0	3,227.0
U.S.S.R.	53.0	522.0	29.0	443.0	122.0
NORTH AMERICA	760.0	522.0	223.0	262.0	262.0
LATIN AMERICA	1,144.0	1,760.0	2,569.0	2,486.0	2,143.0
NEAR EAST	13.0	1,261.0	2,809.0	1,621.0	1,698.0
FAR EAST	630.0	3,691.0	3,032.0	4,393.0	6,118.0
AFRICA	105.0	479.0	400.0	283.0	535.0
OCEANIA	32.0	173.0	231.0	265.0	282.0

TABLE 6

1/  
2/ COMPARABLE 1948-52 TO 1957.  
COMPARABLE ONLY 1955 TO 1957.



TABLE H

WHEAT  
SUPPLY AND DISPOSITION - CANADASOURCE: HANDBOOK OF AGRICULTURAL STATISTICS, PART 1, 1908-59, p.169  
(1000 OMITTED)

CROP YEAR	SUPPLY		DISPOSITION		CARRYOVER AT END OF CROP YEAR
	CARRY-IN AT BEGINNING OF CROP YEAR 1/	PRODUCTION	WHEAT 3/	WHEAT FLOUR (EXPORTS)	APPARENT DOMESTIC DISAPPEARANCE 4/
1908-09	14,429	112,434	47,624	9,037	56,662
1909-10	22,449	166,744	52,624	13,184	67,808
1910-11	12,174	132,078	48,443	13,955	62,398
1911-12	231,237	224,159	78,787	18,814	97,601
1912-13	231,717	224,159	93,511	20,233	113,744
1913-14	231,717	224,159	114,902	20,685	135,587
1914-15	231,717	224,159	63,902	22,848	86,750
1915-16	231,717	224,159	232,739	33,419	269,158
1916-17	231,717	224,159	140,224	34,341	174,565
1917-18	231,717	224,159	118,580	50,661	169,240
1918-19	231,717	224,159	55,921	41,039	96,960
1919-20	231,717	224,159	63,430	29,049	92,480
1920-21	231,717	224,159	136,969	30,247	167,215
1921-22	231,717	224,159	150,935	34,834	185,770
1922-23	231,717	224,159	229,649	40,516	270,165
1923-24	231,717	224,159	292,425	54,096	346,522
1924-25	231,717	224,159	146,958	45,764	192,722
1925-26	231,717	224,159	275,557	49,035	324,592
1926-27	231,717	224,159	251,266	41,612	292,878
1927-28	231,717	224,159	288,567	44,396	332,963
1928-29	231,717	224,159	354,425	53,139	407,564
1929-30	231,717	224,159	153,766	30,501	184,267
1930-31	231,717	224,159	153,766	30,501	184,267
1931-32	231,717	224,159	228,536	30,157	258,694
1932-33	231,717	224,159	182,803	24,226	207,030
1933-34	231,717	224,159	240,137	24,169	264,304
1934-35	231,717	224,159	170,375	21,376	191,751
1935-36	231,717	224,159	144,345	21,376	165,721
1936-37	231,717	224,159	232,020	22,405	254,425
1937-38	231,717	224,159	189,407	20,243	209,650
1938-39	231,717	224,159	139,315	10,156	149,471
1939-40	231,717	224,159	162,559	30,156	192,715
1940-41	231,717	224,159	184,786	40,300	225,086
1941-42	231,717	224,159	179,902	45,926	225,828
1942-43	231,717	224,159	158,112	56,588	214,701
1943-44	231,717	224,159	283,165	60,290	343,455
1944-45	231,717	224,159	280,288	62,657	342,946
1945-46	231,717	224,159	278,070	65,116	343,186
1946-47	231,717	224,159	163,368	76,032	239,401
1947-48	231,717	224,159	133,365	61,477	194,842
1948-49	231,717	224,159	184,235	48,094	232,329
1949-50	231,717	224,159	179,157	45,680	224,837
1950-51	231,717	224,159	183,639	53,921	237,560
1951-52	231,717	224,159	304,722	51,163	355,885
1952-53	231,717	224,159	329,026	56,501	385,527
1953-54	231,717	224,159	286,335	46,246	332,581
1954-55	231,717	224,159	211,268	40,622	251,890
1955-56	231,717	224,159	272,260	40,000	312,260
1956-57	231,717	224,159	240,856	33,540	274,396
1957-58	231,717	224,159	279,912	46,281	326,193
1958-59	231,717	224,159	25,445	36,668	62,113

TABLE H





TABLE 1

WORLD WHEAT PRODUCTION

SOURCE: GRAIN TRADE YEAR BOOK 1957-58, SANFORD EVANS STATISTICAL SERVICE, 156 LOMBARD AVENUE, WINNIPEG, - P.122

(THOUSANDS OF BUSHELS)

COUNTRY	1958	1957	1956	1955	1954	1953	AVERAGE 1950-54
<b>EUROPE</b>							
FRANCE	315,000	407,200	225,000	380,830	388,220	330,000	315,244
GERMANY, EAST	39,000	39,000	35,900	121,550	106,260	116,100	92,100
GERMANY, WEST	135,000	140,530	127,560	97,070	102,890	99,450	110,223
GREAT BRITAIN & N. IRELAND	110,000	100,165	106,210	97,070	266,800	332,800	94,646
ITALY	340,000	310,000	318,980	349,210	180,000	125,000	288,080
ROMANIA	160,000	160,000	155,000	150,000	170,000	125,000	108,730
SPAIN	1,753,000	1,925,000	1,585,000	1,820,000	1,710,000	1,725,000	1,450,000
<b>TOTAL EUROPE</b>							
<b>NORTH AMERICA</b>							
CANADA	367,300	370,508	573,062	404,140	308,909	613,962	537,586
U.S.A.	1,446,404	947,102	1,004,272	934,751	984,846	1,165,454	1,094,183
MEXICO	42,320	45,320	45,655	32,330	30,846	24,620	21,786
<b>TOTAL NORTH AMERICA</b>							
	1,856,000	1,364,000	1,624,000	1,461,201	1,325,000	1,806,086	1,654,000
<b>ASIA</b>							
CHINA	300,000	347,700	319,910	327,710	293,920	273,590	890,000
INDIA	140,000	142,000	123,760	118,420	171,200	105,000	21,286
PAKISTAN	245,000	220,000	215,000	253,530	180,000	293,930	123,880
TURKEY	852,218	987,140	865,219	880,060	805,460	864,920	213,923
<b>TOTAL ASIA</b>							
	156,215	170,405	199,800	178,210	205,900	180,600	168,706
<b>AFRICA</b>							
<b>TOTAL AFRICA</b>							
	156,215	170,405	199,800	178,210	205,900	180,600	168,706
<b>SOUTH AMERICA</b>							
ARGENTINA	-	213,500	261,980	192,900	282,560	227,800	216,204
<b>TOTAL SOUTH AMERICA</b>							
	-	313,840	360,470	293,940	381,490	324,100	239,540
<b>AUSTRALASIA</b>							
AUSTRALIA	189,000	96,800	135,000	195,600	168,610	197,960	181,916
NEW ZEALAND	6,000	3,000	2,950	2,650	4,110	4,180	4,720
<b>U.S.S.R.</b>							
	-	1,945,006	1,585,000	-	-	-	1,640,000
<b>TOTAL WORLD</b>							
	8,300,000	7,630,000	7,800,000	7,400,000	7,025,000	7,025,000	6,970,000

1/ FIGURES FOR PERIOD SHOWN ARE NOT STRICTLY COMPARABLE - INCLUDE ALLOWANCES FOR NON-REPORTING AREAS.  
2/ ESTIMATED TOTAL WHICH INCLUDES ALLOWANCE FOR DATA WHERE COUNTRIES MISSING.



TABLE J

## WORLD WHEAT ACREAGE

SOURCE:- GRAIN TRADE YEAR BOOK 1957-58, SANFORD EVANS STATISTICAL SERVICE, 156 LOMBARD AVENUE, WINNIPEG, - P.122

('000 OMITTED)

COUNTRY	1958	1957	1956	1955	1954	1953	AVERAGE 1950-54
<b>EUROPE</b>							
FRANCE	11,390	11,534	7,000	11,252	11,100	10,430	10,916
GERMANY, EAST	-	1,038	940	-	-	-	1,120
GERMANY, WEST	3,200	3,000	2,830	2,775	2,725	2,832	2,728
GREAT BRITAIN & N. IRELAND	2,205	2,113	2,283	1,948	2,457	2,217	2,263
ITALY	12,300	12,375	12,350	12,300	12,100	12,100	12,085
ROMANIA	-	7,340	10,150	10,526	10,670	10,605	10,710
SPAIN	-	-	10,628	-	-	-	10,470
<b>TOTAL EUROPE</b>	73,140	72,980	67,580	72,660	72,740	71,400	71,440
<b>NORTH AMERICA</b>							
CANADA	20,899	21,031	21,781	21,506	24,267	25,513	26,129
U.S.A.	53,650	43,664	49,784	47,882	54,326	61,061	63,251
MEXICO	1,977	2,247	2,315	1,977	1,890	1,624	1,647
<b>TOTAL NORTH AMERICA</b>	76,526	67,140	74,970	70,630	80,580	94,860	91,200
<b>ASIA</b>							
CHINA	29,557	33,580	30,386	27,517	26,394	24,286	56,650
INDIA	11,700	11,807	11,298	10,653	10,630	9,210	24,422
PAKISTAN	-	17,878	18,125	17,790	15,830	15,840	10,364
TURKEY	-	68,882	65,579	60,482	57,419	53,845	13,514
<b>TOTAL ASIA</b>	45,555	67,140	65,579	60,482	57,419	53,845	118,925
<b>AFRICA</b>							
<b>TOTAL AFRICA</b>	8,378	10,616	15,621	14,736	16,856	15,302	14,813
<b>SOUTH AMERICA</b>							
ARGENTINA	-	10,840	13,324	10,037	13,500	12,345	11,871
<b>TOTAL SOUTH AMERICA</b>	-	17,866	20,103	14,350	17,910	16,202	17,400
<b>AUSTRALASIA</b>							
AUSTRALIA	10,500	7,500	7,900	10,170	10,670	10,751	10,716
NEW ZEALAND	-	67	66	68	104	114	116
<b>U.S.S.R.</b>	-	170,000	153,000	-	-	-	111,500
<b>TOTAL</b>	516,700	500,230	488,650	474,700	461,540	465,050	447,320

1/ ESTIMATED TOTALS WHICH INCLUDE ALLOWANCE FOR DATA WHERE COUNTRIES MISSING.





TABLE K

ALL WHEAT - SASKATCHEWAN  
ESTIMATED ACREAGE, PRODUCTION, FARM PRICE AND VALUE

SOURCE:- HANDBOOK OF AGRICULTURAL STATISTICS, PART I - FIELD CROPS 1908-58  
DOMINION BUREAU OF STATISTICS, AGRICULTURE DIVISION CROPS SECTION, P. 12

CROP YEAR	SEEDED ACREAGE ACRES	AVERAGE YIELD PER SEEDED ACRE BUS.	PRODUCTION '000 BUS.	AVERAGE FARM PRICE \$ PER BUS.	TOTAL FARM VALUE \$ '000
1908-09	2,396,000	14.5	34,742	0.75	25,883
1909-10	2,685,000	23.1	85,197	0.81	68,669
1910-11	2,228,200	15.8	66,979	0.81	50,213
1911-12	2,351,900	20.8	109,323	0.58	63,407
1912-13	582,000	19.2	106,260	0.56	59,910
1913-14	420,000	21.3	121,559	0.64	77,805
1914-15	348,300	13.7	73,494	0.96	70,556
1915-16	8,929,300	23.1	224,312	0.91	203,888
1916-17	8,032,100	16.3	147,559	1.28	188,918
1917-18	8,249,300	10.0	117,921	1.95	229,907
1918-19	9,249,300	11.0	92,493	1.99	184,061
1919-20	10,587,400	8.5	89,994	2.32	208,787
1920-21	10,061,100	11.2	113,135	1.75	173,360
1921-22	13,356,700	13.9	188,000	0.76	212,880
1922-23	12,332,300	20.3	250,167	0.85	212,642
1923-24	12,791,000	21.2	271,622	0.65	175,554
1924-25	12,033,000	10.2	152,918	1.21	160,831
1925-26	12,009,000	18.6	235,172	1.25	294,831
1926-27	13,558,400	16.2	219,646	1.08	237,218
1927-28	12,779,300	19.5	252,500	0.97	244,925
1928-29	13,790,900	23.3	321,215	0.77	247,336
1929-30	14,445,300	11.1	162,565	1.03	165,382
1930-31	4,326,000	14.4	206,700	0.47	97,149
1931-32	15,020,200	8.8	211,551	0.38	80,337
1932-33	14,743,000	13.0	132,466	0.41	54,043
1933-34	13,662,000	8.7	114,200	0.61	69,162
1934-35	13,206,000	10.8	142,198	0.60	85,319
1935-36	14,744,000	7.3	110,000	0.92	101,200
1936-37	13,893,000	10.0	36,000	1.05	37,800
1937-38	13,793,000	2.6	271,300	0.58	146,302
1938-39	4,233,000	19.1	266,700	0.54	154,686
1939-40	5,571,000	12.0	147,000	0.58	86,730
1940-41	2,353,000	24.7	305,000	0.77	234,850
1941-42	1,915,000	18.3	146,000	1.14	166,440
1942-43	2,622,000	15.2	242,100	1.25	302,625
1943-44	3,200,000	18.3	168,100	1.64	273,684
1944-45	3,610,000	14.6	208,000	1.62	336,960
1945-46	4,226,000	12.2	191,000	1.63	311,330
1946-47	4,226,000	13.3	186,000	1.61	299,460
1947-48	4,389,000	10.8	272,000	1.49	405,280
1948-49	4,737,000	16.5	325,000	1.52	494,000
1949-50	5,500,000	20.8	449,000	1.53	713,910
1950-51	6,550,000	27.0	391,000	1.33	520,030
1951-52	6,600,000	22.7	320,000	1.21	441,600
1952-53	6,800,000	10.2	355,000	1.38	441,600
1953-54	6,800,000	16.6	222,000	1.24	286,380
1954-55	6,800,000	14.6	192,000	1.29	
1955-56	6,800,000	14.6			
1956-57	6,800,000	14.6			
1957-58	6,800,000	14.6			
1958-59	6,800,000	14.6			

TABLE K



TABLE 1.

FARM MACHINERY BY PROVINCES, CENSUS OF 1931, 1941, 1951 AND 1956

SOURCE:— CANADA YEAR BOOK, 1957-58, P. 459-460

PROVINCE	YEAR	AUTOMOBILES		TRACTORS		MOTOR TRUCKS		GASOLINE ENGINES		GRAIN COMBINES	
		NUMBER	FARMS REPORTING	NUMBER	FARMS REPORTING	NUMBER	FARMS REPORTING	NUMBER	FARMS REPORTING	NUMBER	FARMS REPORTING
NEWFOUNDLAND	1931	-	-	-	-	-	-	-	-	-	-
	1941	185	169	126	110	507	476	136	118	-	-
	1951	268	255	296	272	735	686	83	66	-	-
	1956										
PRINCE EDWARD ISLAND	1931	3,885	3,741	176	169	369	356	4,193	3,641	-	-
	1941	3,570	3,485	577	570	494	465	4,128	3,457	-	-
	1951	4,147	4,021	776	714	679	1,614	3,813	2,181	-	-
	1956	4,511	4,305	840	4,588	3,247	3,089	3,519	2,658	4	238
NOVA SCOTIA	1931	10,297	9,982	424	412	1,704	1,632	2,848	2,578	-	-
	1941	9,430	9,092	386	336	2,697	2,475	3,023	2,684	2	16
	1951	8,970	8,757	4,307	4,056	5,687	5,308	2,178	1,901	16	88
	1956	8,209	7,804	6,537	6,024	7,200	6,685	2,510	2,025	88	88
NEW BRUNSWICK	1931	10,425	9,998	289	278	1,126	1,093	4,505	4,243	-	-
	1941	8,677	8,403	1,140	1,135	1,851	1,762	4,344	4,006	15	15
	1951	7,999	7,808	5,221	5,023	4,786	4,528	2,439	2,299	211	211
	1956	8,757	8,413	7,646	7,017	5,614	5,197	1,478	1,341	598	598
QUEBEC	1931	26,877	25,741	2,417	2,356	5,152	4,939	36,251	34,029	-	-
	1941	27,926	26,412	5,869	5,758	6,767	6,365	39,274	36,554	55	55
	1951	41,602	40,937	31,971	30,835	19,163	18,438	30,692	28,589	420	418
	1956	52,738	51,492	54,322	50,291	28,758	27,382	21,480	19,446	1,481	1,475
ONTARIO	1931	125,716	115,833	15,933	18,318	14,586	13,875	45,380	40,082	-	-
	1941	128,144	112,829	35,450	32,478	17,537	16,312	32,801	28,193	796	786
	1951	114,870	107,031	15,204	12,665	41,486	38,481	20,243	16,524	10,031	9,856
	1956	117,321	105,574	136,062	105,792	58,041	52,859	24,289	18,214	16,644	16,294
MANITOBA	1931	25,588	24,450	14,366	12,983	3,260	3,123	17,557	13,820	355	351
	1941	27,074	26,410	22,050	20,948	7,566	7,248	15,772	12,639	1,714	1,655
	1951	32,060	30,648	50,984	48,641	21,163	19,937	17,310	14,150	15,268	14,563
	1956	32,619	31,312	59,265	42,236	28,556	26,255	24,395	18,689	21,425	20,679
SASKATCHEWAN	1931	65,074	62,568	14,366	12,983	3,260	3,123	17,557	13,820	355	351
	1941	67,093	65,767	15,450	14,478	7,537	7,248	15,772	12,639	1,714	1,655
	1951	62,960	60,931	15,204	12,665	41,486	38,481	20,243	16,524	10,031	9,856
	1956	64,941	62,692	136,062	105,792	58,041	52,859	24,289	18,214	16,644	16,294
ALBERTA	1931	42,817	41,025	23,985	21,996	7,319	7,090	26,938	22,137	2,523	2,461
	1941	44,090	42,878	36,245	34,456	14,512	13,634	31,091	25,199	3,165	3,010
	1951	46,314	44,718	39,282	37,393	18,423	17,332	35,603	32,248	20,852	19,569
	1956	47,714	46,305	44,718	42,236	21,163	19,937	17,310	14,150	21,425	20,679
BRITISH COLUMBIA	1931	10,525	10,034	1,402	1,312	3,947	3,707	3,544	3,051	20	19
	1941	9,557	9,318	2,696	2,573	3,825	3,490	3,910	3,425	60	65
	1951	15,451	15,103	12,148	11,242	9,291	8,460	4,375	3,936	697	695
	1956	14,333	13,604	15,282	12,422	11,758	10,254	7,096	5,736	1,066	995
CANADA	1931	321,284	303,372	105,360	97,262	43,401	46,365	179,765	155,677	8,917	8,750
	1941	315,461	300,394	159,752	152,691	77,460	73,716	166,225	143,612	19,313	18,303
	1951	329,667	315,621	396,555	382,658	196,122	183,255	183,051	140,018	9,506	8,631
	1956	352,018	330,456	499,811	468,816	277,163	242,473	249,779	171,925	136,927	120,294





TABLE M

FARM STORAGE OF VARIOUS GRAINS AT SELECTED DATES ON THE BASIS OF THE CANADIAN WHEAT BOARD QUESTIONNAIRE  
(BUSHELS IN NEAREST THOUSANDS, '000 OMITTED)

SOURCE: CANADIAN WHEAT BOARD REPORTS OF SELECTED DATES AS SHOWN

DATE	WHEAT	DURUM	OATS	BARLEY	RYE	FLAX	ALL GRAIN
1960 - MAY 20	132,000	14,673	11,104	32,219	2,042	1,207	193,244
- DECEMBER 4	212,366	-	20,963	43,114	2,678	2,183	281,304
1959 - JULY 31	67,000	11,391	11,028	16,013	1,235	529	107,196
- MARCH 6	151,436	19,674	22,300	36,578	2,655	2,967	235,610
1958 - OCTOBER 8	239,331	28,346	38,863	64,563	3,293	8,548	382,944



TABLE N  
STATISTICAL SUMMARY OF THE PROGRESS OF CANADA. — TRANSPORTATION  
SOURCE:— CANADA YEAR BOOK 1959, DOMINION BUREAU OF STATISTICS, P. 1250

ITEM	1871	1881	1891	1901	1911	1921	1931	1941	1951	1957
<b>TRANSPORTATION</b>										
MILES OF RAILWAY	2,695,111	7,194	13,838	18,140	25,400	39,191	42,280	42,441	42,956	43,890
CAPITAL RAILWAY LIABILITY \$	257,032,182	284,419,293	632,061,440	816,110,837	1,528,689,201	2,164,687,636	4,232,022,088	3,397,488,504	3,571,693,322	4,330,219,893
PASSENGERS CARRIED — NO.	3,190,418	6,943,671	13,222,568	18,386,722	27,091,718	46,733,251	26,396,812	29,779,241	30,995,604	22,965,974
TONS OF FREIGHT	5,670,836	12,065,323	21,753,021	26,999,371	79,884,282	83,730,829	74,129,694	116,808,091	161,260,521	174,163,028
RAILWAY EARNINGS \$	10,410,540	27,987,509	48,192,099	72,898,749	188,733,494	438,008,891	358,549,382	536,291,947	1,088,592,789	1,362,484,634
RAILWAY EXPENSES \$	13,775,532	20,121,418	34,960,449	50,386,726	13,033,785	422,581,205	321,025,588	403,733,542	977,577,062	1,302,028,581
<b>ROAD TRANSPORTATION</b>										
TOTAL HIGHWAY MILEAGE	—	—	—	—	21,783	464,805	378,094	561,489	511,878	422,939
NUMBER MOTOR VEHICLES	—	—	—	—	—	—	1,200,668	1,572,784	2,872,420	4,459,595
<b>SHIPPING</b>										
SEABORNE SHIPPING IN (TONS)	6,576,771	6,967,449	9,272,369	13,235,307	25,205,441	27,344,957	45,824,452	31,452,400	47,508,342	66,149,552
SEABORNE SHIPPING OUT (TONS)	6,549,257	6,824,983	9,430,279	12,794,501	22,224,104	27,303,673	45,077,424	33,313,400	52,750,461	68,822,187
TOTAL COASTAL SHIPPING (TONS)	—	15,116,766	24,986,130	34,444,796	66,627,934	56,341,213	94,675,207	94,540,478	116,411,880	150,100,530
<b>CANALS</b>										
FREIGHT (TONS)	3,955,621	2,853,230	2,902,526	5,665,259	38,030,353	9,407,021	16,189,074	23,453,367	29,325,034	37,230,349
<b>AIR TRANSPORTATION</b>										
REVENUE AIR MILES FLOWN	—	—	—	—	—	294,449	7,046,276	12,508,390	52,578,934	104,699,140
REVENUE PASSENGER MILES	—	—	—	—	—	—	4,073,532	56,723,714	689,819,451	1,832,183,870
REVENUE FREIGHT (LBS.)	—	—	—	—	—	79,850	2,372,467	16,599,611	58,199,354	264,812,177
MAIL CARRIED (LBS.)	—	—	—	—	—	—	470,461	3,411,971	16,824,652	31,413,504

1/ 1876.  
2/ 1975.  
3/ INCLUDES ATLANTIC AND PACIFIC OVERSEAS SERVICES OF CANADIAN CARRIERS FROM 1951.  
4/ INCLUDES HIGHWAY TRANSPORT (RAIL) OPERATIONS.

TABLE N







1  
2 --- On resuming at 2 p.m.

3  
4 THE CHAIRMAN: Order, please.

5  
6 CROSS-EXAMINATION BY MR. SINCLAIR:

7  
8 Q. Mr. Wesson, may we start by some of the  
9 areas where I am sure we can agree.

10 You agree that it is in the national interest  
11 that the western grain grower continue to have the  
12 benefit of the statutory level of rates on the movement  
13 of grain to export positions in western Canada for the  
14 foreseeable future?

15 A. Yes, sir.

16 Q. You agree that to raise this level and  
17 require the farmer to pay more for the movement of his  
18 grain to export positions would cause hardship to many  
19 western Canadian farmers?

20 A. Yes, sir, it would.

21 Q. You agree that efficient and financially  
22 sound railways are essential to western Canadian  
23 agriculture?

24 A. Yes, sir.

25 Q. Now, you also agree that controversy  
26 concerning the level of western export grain rates is  
27 detrimental to the farming community of the west?

28 A. That is right. The Crow's Nest Pass  
29 Rate agreement is still the Magna Carta of the farmers  
30 of western Canada.





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Q. And people feeling, rightly or wrongly, that there is an issue between the farmers of the west; and this is as to the level of these rates, is not a good thing for Canada?

A. We think the controversy is bad.

Q. Yes, indeed. You made that very clear, Mr. Wesson, in your brief at paragraph 75 when you quoted that statement from the Globe and Mail of Toronto?

A. That is right.

Q. And it is a matter that gives you some concern, I know, Mr. Wesson, and the organization that you have represented for so long -- it gives you concern that people in the east or people in the west that are not farmers are constantly saying, "Well, now, this whole question of the movement of grain to export positions has been with us so long, why doesn't the farmer either get out of grain and pay his way or do something instead of having this controversy going on all the time". And you have tried to answer that.

MR. FRAWLEY: Who says that, other than the Toronto Globe?

MR. SINCLAIR: Just a minute. Mr. Wesson knows that more than the Toronto Globe & Mail say it, because in paragraph 76 you say:

".... with increasing frequency not only by newspapers throughout the country but also by others ..."

Q. These kind of charges are made?

A. That is right.







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Q. Now then, Mr. Wesson, I am sure that you and the Canadian Pacific are in complete agreement on this: that the western Canadian grain grower has problems that have to be faced up to by the people of Canada that arise from nationalistic attitudes in other importing countries and attitudes in some of the exporting countries that have made the role of the western Canadian farmer difficult? You agree with that?

A. Well, I should like to elaborate on that for just a moment.

Q. Yes?

A. I would like to repeat some of the things that were said to the government of Canada a year ago last March 10, and in all the discussions that took place before. We had a case; we called it the cost price squeeze.

Q. Yes?

A. And if you remember, Mr. Chairman, at that time we quoted statistics from the Bureau of Statistics to show that in the period of ten years our cost of production had increased to over 59% and the prices of our wheat was down 21%.

We also made much of the position that when the Government of the day, in 1945, saw fit to remove price ceilings on goods the farmers bought, the cost started to increase. But until 1953 our revenue from the sales of wheat, oats and barley and grains had increased a little bit more than the actual cost and then we started to go down badly. So, it started in





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1954, where our index income basis stood at 165 and our cost at 115. There, in 1954, that index of income was down to 115 in Saskatchewan; and down to 108 in 1955. But the cost was still close to 160.

That is what we called the cost price squeeze.

I elaborate on this for a reason, in view of Mr. Sinclair's question, that while it is true that the farmer is in this cost price squeeze position, through no fault of his own; and whether it is because of inflation in the post-war years, which might or might not have been controlled by any government in power, I do not know. We do know that the cost increase was completely out of the farmer's control. And we also know that because of our lack of income the international prices of wheat were down on the basis of a reference made a few moments ago by Mr. Sinclair: the export position with services and indigenous production in countries whose governments saw fit to produce their own wheat, mostly uneconomically. That is our problem, and it leads up to this one question. I answered by saying yes, sir; that in view of this situation, apart from the fact that we hold tight to the Crow's Nest Pass Agreement signed at the turn of the century, we say quite definitely that the farmer of the west cannot pay more freight rates for anything, including the increased cost of goods.

Most of the farmers today are in a bankrupt position, and I am saying that categorically, simply because for the last five years even the most efficient farmer in the west -- he has not been setting up his







1  
2 depreciation reserve and leaving it as an account to  
3 replace worn out equipment; he has had to live on that  
4 depreciation reserve and pay his taxes with it. And I  
5 say if a business organization like the Saskatchewan  
6 Wheat Pool did that, we would be bankrupt. We must have  
7 the money if we are to set up the reserves. And the  
8 farmer has not got it. That is why I say we cannot face  
9 any more cost.

10 Q. Now, Mr. Wesson, the western Canadian grain  
11 farmer -- he is an individualist and he wants to run his  
12 business the best way he can?

13 A. That is right.

14 Q. And he, the western grain farmer, doesn't  
15 like interference or people telling him how to run his  
16 business, and he has indicated that, I am sure, many  
17 many times. And I think you have indicated that many,  
18 many times yourself. Is that not so?

19 A. In operating his own farm; that is true.

20 Q. That is true. And he has his problems,  
21 Mr. Wesson, this we know, and he wants to be able to  
22 solve them when he has a chance to solve them himself.  
23 You will agree with that?

24 A. If he could.

25 Q. If he could.

26 A. But he cannot solve this one.

27 Q. That is right. And it is only when he is  
28 prevented from solving a problem which is beyond his  
29 control that he says to the government, "I need your  
30 aid because I cannot do anything about it"?





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A. That is right.

Q. In every other case he does not want the government trying to run his business or telling him how to run it?

A. Generally speaking, I would say that is correct.

Q. One of the things that he is faced with at the present time is that his grain is staying in storage longer than he would like to see it there?

A. Well, I would have to qualify the answer to that, because a year ago last July, and last July, while there was 60 million bushels of wheat in Saskatchewan on the farms, it was held by about 15% of the farmers. The others had nothing to sell until they threshed the crop this fall, and the same last fall. This does not apply -- this carry-over -- to all the farmers; only about 15% of them.

Q. Even though when he is not carrying it over on the farm it is still costing the farmer money, when it is held by his selling agency before it is disposed of by world markets?

A. That is true. It involves cost until it is sold.

Q. This is something that he cannot control; it is something beyond his control that arises from nationalistic policies in importing countries and what I am going to continue to say "give-away" programmes in the United States that are adverse to the interests of agriculture?







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A. You are talking my language there. That is what I always call it.

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Q. Now, Mr. Wesson, that being so the western Canadian farmer gets assistance from the government and you made reference to it in your paragraph 91 in respect to the federal contribution on storage. This cost of some \$42 millions of dollars. It is the last sentence in paragraph 91 ---

10

MR. MILLIKEN: 91-A, Mr. Sinclair.

11

MR. SINCLAIR: Thank you. Paragraph 91-A.

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THE WITNESS: You noticed when I was reading it, Mr. Sinclair, that I changed that "storage" to "Carrying Charges" because that includes bank interest as well as storage.

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MR. SINCLAIR: Q. It includes bank interest as well as storage, but the reason there has been bank interest is because the grain is in store?

19

A. That is right.

20

21

Q. And you set up that 42 millions of dollars in assistance; and that is in a crop year, I take it?

22

A. That is right.

23

Q. That is in the crop year 1958-59?

24

A. 1958-59, yes.

25

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Q. That is right. And 36% of that was due to bank interest?

27

A. That is right.

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Q. Now, that would be something in excess of \$15 odd million dollars that the federal government paid on behalf of the farmer to the banks?





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A. That is right, through the elevator companies to the bank.

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Q. Through the elevator companies to the banks, yes. And, indeed, you believe -- it is your position that it would not be wrong in the light of the circumstances for that amount to be increased? The federal government contribution?

9

A. For that purpose?

10

Q. Yes.

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A. Well, I think it is correct to say that up until a year ago we thought that if this wheat was in store in the national interest that the whole burden should not be borne by the farmers; that the whole tab should be picked up by the government. But we have not mentioned it in the last year.

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Q. When something is being done in the national interest, and there is no question about it being in the national interest, the western Canadian farmer thinks it should be recognized for what it is: it is something in the national interest and should be paid for by all Canadians?

23

A. That is right; that is right.

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Q. Now, Mr. Wesson, I am sure you could understand that railway management are sincerely trying to perform their functions of running the most efficient railway that they know how to run. You would agree with that -- that is their endeavour?

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A. That is right.

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Q. And you are not going to suggest that







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railway management is not prepared to accept problems and work them out where they can, just like the farmer does where he can. That is only right, that they should be left to work out their problems where they can work them out?

A. If they can, yes.

Q. If they can; but where they cannot because of circumstances outside of their control, for whatever reason, then the railways have a right to bring those problems to the attention of the public. You would agree with that?

A. And the government.

Q. And the government?

A. The CNR must, I presume.

Q. Pardon?

A. The CNR must.

Q. The CNR must? Well now, Mr. Wesson, I have enough difficulty looking after the CPR, so you will pardon me if I do not start looking after the CNR, because I am going to talk to you about that and maybe now that you have introduced it, perhaps this is the place I should give it.





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2 Q. You suggested that the Canadian  
3 National and the Canadian Pacific should be amalgamated  
4 and operated as a crown corporation?

5 A. I suggested that the Commission look  
6 at it.

7 Q. You have suggested that the Canadian  
8 Pacific Railway Company be nationalized?

9 A. That is right.

10 Q. And you have suggested that notwith-  
11 standing the fact that the Canadian Pacific  
12 Railway Company, for instance, in this year will  
13 operate its railway and make a profit and pay some  
14 \$20 million of income tax to help the general tax  
15 burden of Canada through its railway enterprise.  
16 With that in mind you still make the suggestion?

17 A. Yes, for another purpose.

18 Q. For another purpose? Had it occurred  
19 to you that you could make a railway enterprise so  
20 big that it would be impossible to administratively  
21 operate that efficiently?

22 A. Well, that has not been our experience.  
23 In grain elevator service we are the largest in the  
24 world.

25 Q. Do you think you would be more efficient  
26 if you handled it all, that instead of the 16 elevator  
27 companies operated in Saskatchewan that there was  
28 one elevator company called the Saskatchewan Wheat  
29 Pool; do you think that would make you more efficient?

30 A. Yes, we could handle it a good deal







1  
2 cheaper and save money.

3 Q. And do you suggest you take over all  
4 grain handling in Saskatchewan?

5 A. Not yet.

6 Q. But that is coming next week, is it?

7 A. I would not know. I want to go back,  
8 if you do not mind my interrupting your train of thought,  
9 but in dealing with the first question relating to  
10 amalgamation or nationalization of the C.P.R., I do  
11 not know where it came in evidence, I think I saw it  
12 in the press, but I have never heard the \$20 million  
13 mentioned before for income tax. I did see in some  
14 evidence of one of your group that they suggested  
15 you look upon income tax as part of your operation,  
16 part of your cost. Well, in the Saskatchewan Wheat  
17 Pool we do no such thing. We take the entire operating  
18 cost from our entire revenue and the rest is surplus  
19 which in your case could be taxable but we do not look  
20 at the income tax that way. We put it as a cost of  
21 the operation because it is taken from surplus.

22 Q. Well, now ---

23 A. I am just answering your question because  
24 you posed two or three questions in one sentence.

25 Q. I certainly did not mean to do that.

26 A. In view of this situation where you are  
27 making a profit, why would we want to nationalize the  
28 Canadian Pacific Railway Company? In the first  
29 place, we say in here this so-called profit made from  
30 the operation of the Canadian Pacific Railway and of the





1  
2 facilities and that you pay \$20 million in income tax,  
3 which is probably 50 per cent of your total surplus,  
4 I cannot see why all this uproar about a few million  
5 dollars in handling grain under the Crow's Nest Pass  
6 rates or the passenger rates. I do not see what the  
7 grouse is about. To finish the following question,  
8 why are we asking for it? Let me say there are many  
9 people in the province of Saskatchewan who have been  
10 raising this by their resolutions for four years now  
11 and they are interested in integration and are battling  
12 for it even against the C.P.R. sniping.  
13 As far as we are concerned we believe it is important,  
14 this nationalization and amalgamation, because we  
15 feel money could be saved, that is why.

16 Q. Well, we have two reasons then why you  
17 are for nationalization of the Canadian Pacific Railway.  
18 No. 1 is the reason of your members and that is because  
19 the Canadian Pacific has been bold enough to raise this  
20 question on grain revenues coming to it from the handling  
21 of export grain in western Canada, and the second one  
22 is because you -- that is, your management of Saskatche-  
23 wan Wheat Pool -- believe that there would be savings  
24 from integrating to one railway operation?

25 A. That is right.

26 Q. Let us take the second one: how many  
27 employees do you think a single railway company com-  
28 bination of Canadian Pacific and Canadian National,  
29 Toronto, Hamilton, Buffalo, Pacific Great Eastern,  
30 Algoma Central, and all the other railways that you are







1  
2 going to put into one single railway, how many employees  
3 would you think they would have? Would a quarter of  
4 a million employees upset you?

5 A. I would not have the slightest idea.

6 Q. Well, let us say this to make it easy,  
7 that you then have to handle approximately 200,000  
8 employees and handle them efficiently; do you think that  
9 could be done more cheaply than handling them in smaller  
10 groups even though they are only half as big?

11 A. Well, it was not so much the question  
12 of staff or reduction of staff and putting people out  
13 of employment that we were thinking about so much as  
14 doing something to offset this piecemeal arrangement  
15 where I think the Canadian Pacific Railway especially  
16 and the Canadian National are trying to eliminate  
17 branch lines piecemeal. I have lived in this country,  
18 as the Chairman knows, since 1907 and I was here when  
19 some of the early lines were built, the Grand Trunk  
20 west of Saskatoon and others. It is not a question  
21 of branch lines but railway lines running side by side  
22 built in these early years, I would say, very largely  
23 for political reasons at that time. I cannot see any  
24 other reason for it. We have lines running where  
25 you could throw a baseball from one to the other.  
26 These things can easily be eliminated. The question  
27 of the control of trains and the number of trains on  
28 the different lines -- I think, for instance, a line  
29 running out of North Battleford which is near my  
30 district where part of the line is operated by both the





1  
2 Canadian National and Canadian Pacific, strange as it  
3 may seem, there is no difficulty in getting a boxcar  
4 on these lines because they both use it. These things  
5 could be regulated to get more regulated use of the  
6 business generally. Both of these, in my opinion,  
7 are not necessary.

8 Q. You see, Mr. Wesson, I respect your  
9 views that you think that might happen but equally I  
10 think you may respect the views of people who have  
11 given their lives to operating railways and if they  
12 try to operate railways efficiently, just because a  
13 person who does not understand or see all the  
14 ramifications feel they are not doing the job properly,  
15 that does not necessarily mean they are not, does it?

16 A. Well, of course, you raise a rather  
17 difficult question because we talk about nationalization  
18 of railways, we do not mean that all the competent  
19 people and management that is there now should be  
20 dispensed with. We think they should be there but  
21 under government supervision in the interests of the  
22 nation and not in the interests of making profits to  
23 pay \$20 million income tax.

24 Q. Say, for instance, a gentleman, if you  
25 would like to put me in that position, felt that  
26 Mr. Jack Wesson was not operating his farm efficiently  
27 and I felt instead of you growing wheat you should be  
28 in fall rye, would you think I had a right to say  
29 to you that you should be in fall rye? I would say  
30 to you that the price is going to be better, you can







1  
2 use your land more efficiently on the Wesson farm instead  
3 of growing wheat by growing fall rye. What would you  
4 say to me?

5 A. I do not think the illustration is a good  
6 one at all. I would say if operating a farm as we  
7 do, Wesson Brothers farm, if six or seven of the  
8 neighbours came to you and said they were going to go  
9 together and use all the machinery together in one  
10 unit, we might save money and I think that we should  
11 look at it.

12 Q. Let us go one step further and instead  
13 of saying six or seven farms you have one master farm  
14 for the whole of Saskatchewan and we will put Wesson  
15 Brothers in charge?

16 A. And we would leave the present operators  
17 on the different parcels of land in the same position  
18 as they are now.

19 Q. And allow them to operate as they are  
20 now?

21 A. With some supervision.

22 Q. With a little bit of supervision from  
23 the Wesson Brothers?

24 A. That is right, that is better than the  
25 illustration that you put up.

26 Q. Well, now, there are a number of points  
27 in your brief that you quite properly said were legal  
28 questions and I do not intend to discuss them with you  
29 because there is no use you and I trying to agree on  
30 legal questions.





1  
2 A. I would not know anything about it, I  
3 would have to give it over to my friend Mr. Milliken.

4 Q. But there was one economic question  
5 that is put in here and I just wondered if it was right.  
6 You said that the demand for wheat was relatively  
7 inelastic?

8 A. What page is that?

9 Q. I will have to find it. I think it was  
10 paragraph 73 and you say:

11 "First, it must be recognized that the  
12 demand for wheat is relatively inelastic ---"  
13 And you say by that the change in price would not  
14 likely affect the demand?

15 A. That is right.

16 Q. Do you really mean that?

17 A. Yes, sir.

18 Q. Do you mean that a downward adjustment  
19 in price would not materially affect the demand for  
20 wheat?

21 A. Let us deal with the elasticity first;  
22 it does not matter what the price is. The United  
23 Kingdom buys from Canada 90 million to 100 million  
24 bushels a year, they consume so much and when they have  
25 bought enough then they buy no more. Now, the part of  
26 the question where you sell more wheat, we learned in  
27 the 1930's when wheat went down one day in trading on  
28 the Winnipeg market to  $38\frac{1}{2}$  cents a bushel or 20 cents  
29 for Northern wheat at the country elevator, we did not  
30 sell more wheat during that period. As a matter of







1  
2 fact, the per capita consumption in the United Kingdom  
3 that year went down half a bushel and the per capita  
4 in Canada went down a quarter of a bushel in that year.

5 Q. Would you sell less if the price went  
6 up?

7 A. I do not think so because when the price  
8 goes up usually there is a very keen demand for it.

9 Q. But if it is relatively inelastic I  
10 suggest to you no matter what the reason is, that price  
11 is not the motivating force that moves wheat, it is  
12 something else?

13 A. When we talk of inelasticity we are not  
14 talking about price, we are talking about consumption  
15 and movement that changes from year to year.

16 Q. Does consumption and movement not depend  
17 on the price?

18 A. Not in our experience.

19 Q. Well, why would you think that an increase  
20 in the price of wheat caused by, for instance, higher  
21 costs on the farm or to the farmer would cause any hard-  
22 ship to him if the price is not important, that you could  
23 just pass it on?

24 A. Pass it on, who to?

25 Q. To the buyer.

26 A. I am not clear on your question.

27 Q. I suggest to you that the price of  
28 wheat is a very marked factor in the consumption of it  
29 in export markets?

30 A. Would you repeat the question?





1  
2 Q. I suggest to you that the price of wheat  
3 has a material effect on the amount of consumption?

4 A. That is consumed?

5 Q. Yes.

6 A. No, sir, it has not. As a matter of  
7 fact when prices are down they seem less but when you  
8 are following the price you have to keep this in mind  
9 when you talk about lowering the price of wheat which  
10 might put more into consumption as far as the  
11 Canadian Wheat Board reduces its price which existed  
12 a few days since, about \$1.65 cents, where they will  
13 limit -- suppose the Wheat Board tomorrow lowered  
14 that price to \$1.55 or 10 cents down, I submit you  
15 would not sell another single bushel of wheat because  
16 the Americans would meet you or the Australians would  
17 meet you and none of you would sell any more but you  
18 would get less for it.

19 Q. Let us say that we put it the other  
20 way. Let us say the Canadian Wheat Board, to use  
21 an old phrase, would bring Liverpool to its knees  
22 and raise the price to \$2 a bushel. Then what would  
23 happen?

24 A. You could not. You cannot sell wheat  
25 unless someone buys it. You could put a price on but  
26 unless somebody buys you cannot sell.

27 Q. The price that is being received for  
28 the wheat today on the world market is a complex of  
29 many factors of which costs and government policies in  
30 some of the other exporting countries is a capital







1  
2 factor; that is correct, is it not?

3           A. Well, I would be very frank with you when  
4 I answer that question and say this, that with this  
5 glut of wheat in the world that has been there for  
6 five or six years, a billion and a quarter bushels  
7 produced in the United States year after year and the  
8 continued increase in production of indigenous wheat  
9 for the purpose of economics or social or whatever it  
10 may be, as in France, that if today we had a free and  
11 open market I do not know where the price would be  
12 because it depends on speculators taking care of the  
13 price list and who knows where the speculator would  
14 carry the price, especially with the carryover of  
15 440 million bushels last year in this country, an  
16 invisible supply?

17           Now, to answer the question, what is the  
18 reason why there is this stability at the present time,  
19 simply because you have a Wheat Board in Canada, the  
20 Canadian Wheat Board; you have the Commodity Credit  
21 Corporation of the United States; you have a wheat  
22 board in Australia, and with that a controlled selling  
23 without speculating interference. You have the  
24 International Wheat Agreement with a floor price of  
25 \$1.50 a bushel, and but for these factors who knows  
26 what the price would be? I submit if the price was  
27 down to 50 cents you would not sell another single  
28 bushel of wheat.

29           Q. Let us say that we are in accord on this,  
30 the Canadian Wheat Board in respect of its work in





1  
2 disposing of the Canadian wheat crop have worked very  
3 assiduously and well. You might criticize the Wheat  
4 Board from time to time but overall they have done a  
5 pretty good job.

6 A. I would not criticize them at all; they  
7 have done a masterly job during this period of time,  
8 during the past years.

9 Q. And they have had disappointments, people  
10 like Mr. Jack Wesson going down to Washington and trying  
11 to convince the people in Washington that they should not  
12 be doing what they are doing and they have tried to  
13 convince the people that the best price under the  
14 International Wheat Agreement should be higher than  
15 set out and they did not succeed at times, did they?

16 A. Well, of course, you are dealing with  
17 two different things, the question of negotiations  
18 with the government of the United States in Washington  
19 and the Canadian Wheat Board and the Department of  
20 Trade and Commerce, which is a question of trying to  
21 come to some mutual understanding as to what is involved  
22 in wheat disposal without affecting the Canadian  
23 exports. That is what they are doing.

24 You raised the other question of floor price  
25 and that was not an argument with the United States,  
26 it was an argument with the import countries who wanted  
27 an even lower floor price.

28 Q. You did not get everything you wanted?

29 A. No, we did not. We maintained a good  
30 floor price and that was the main thing.







1  
2 Q. You are satisfied that you have success-  
3 fully handled that problem?

4 A. I think the International Wheat Agreement  
5 is an excellent thing today.

6 Q. Well, Mr. Wesson, on behalf of the  
7 western Canadian farmers what really, I suggest to you,  
8 bothers your organization, your people, is that this  
9 grain situation should be looked at realistically but  
10 that you do not want to have tied to the western  
11 Canadian farm community any deficiency arising from it.  
12 That is the real objection you have, is it not?

13 A. Well, that is the main objection, and I  
14 still cannot understand this, why it is necessary for  
15 the Canadian Pacific Railway Company -- I can understand  
16 the Canadian National Railways, but I cannot understand  
17 the Canadian Pacific wanting federal assistance from  
18 the treasury when they are paying \$20 million income  
19 tax on profits. I just cannot understand it.

20 Q. Well, what you are saying is this, that  
21 you would have no objection to the income tax liability  
22 of Canadian Pacific being reduced, you would have no  
23 objection to that?

24 A. Well, if it was reduced through the  
25 reduction of that 130 per cent, 40 per cent increased  
26 freight rates, I would be very well satisfied by reducing  
27 the freight rates back to where they were.  
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Q. Let us say it is reduced, and then it is taken that as a result of that and because the Canadian Pacific Railway has an income tax rate applicable to "x" number of dollars something different than 50%, that there is the end of the Crow's Nest Pass Rate controversy; you would not object to that, would you?

A. The farmers would be quite satisfied if you left them alone with what they have got left out of that agreement. In this review that I did not read -- clause 15 or clause 8, or something -- in which we review, as we did nine years ago -- you and I, Mr. Sinclair were together in the Supreme Court.

Q. I will not be that long with you today because I know we have to make sure you get away, but my question to you is this -- and your brief is all here?

A. Yes.

Q. And I do not want to go over that with you, but my question is, and I think you have indicated this but I may have misunderstood you, and if it is not right you can tell the Commission; what I am saying is that the western Canadian farmer -- the fellow that you represent; a great many of them -- would have no objection to having the Canadian Pacific's income tax liability reduced on the condition that they say to the Canadian Pacific, "Leave this question of Crow's Nest Pass level of rates alone"?

A. And then you mean you would call that a subsidy to the western grain grower? We would object to







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that.

Q. I say to you that if they called it a reduction in income tax by virtue of the Canadian Pacific carrying out its obligations set out in the Railway Act. Let us put it that way.

A. I prefer to apply it the other way, that if it is possible for you to get a reduction in your income tax of \$20 million, I suggest you reduce these freight rates you have been putting up continuously over the years to, I think, 140%.

Q. But what I want to talk about is, this controversy has been going on between the railways of Canada, and others, and the people of the west, about the level of these grain rates, and I am saying to you, would your organization have any objection if it was said that the income tax liability of Canadian Pacific will be reduced by "x" in consideration of them continuing and carrying out the obligations set out in the Railway Act, one of the major ones of which is the maintenance of the Crow level of grain rates? You would not have any objection to that?

A. Well, of course, this feature has never been discussed, to my knowledge, with my colleagues in the west -- the other three, or even our own board. My own opinion is that if by virtue of the fact CPR can profit enough to pay income tax of \$20 million a year, why should they want to reduce that in lieu of raising the freight rates for grain higher than the Crow's Nest Pass rates? I do not think the farmer will agree with





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2 you at all. If you are making that profit, leave it  
3 alone. He has got a deal and he has had it since the  
4 turn of the century and he wants to salvage what is  
5 left of it.

6 Q. Well, let us assume this, that instead  
7 of the income tax law being the way it is that it was  
8 changed so that the Saskatchewan Wheat Pool pay 50%  
9 tax on all net revenues -- that is, you were required  
10 to pay 50% to the government of Canada on all monies  
11 received by the Saskatchewan Wheat Pool less your  
12 operating expenses and the money required to service  
13 your debt: would you then consider that income tax  
14 was an expense that should be looked at and recognized,  
15 if you were in that position?

16 A. I could not call that an expense.

17 Q. What would you call it?

18 A. I will tell you what our position is ---

19 Q. What would you call it, Mr. Wesson?

20 A. We handle 145 million bushels of grain;  
21 we handle 111 million bushels through terminals, and we  
22 have a revenue for that of  $4\frac{1}{2}\phi$  a bushel for street  
23 charge and revenue for storage of  $30\phi$  a day. We have  
24 our costs which have gone up by leaps and bounds --  
25 salaries three and one half times, and taxes three and  
26 one half times, and when we get through with our cost  
27 and deduct that from the revenue we have a surplus out  
28 of which we have to provide for depreciation, and we  
29 set up a fund for replacing equipment. Let us say we  
30 have got \$5 million for 83,000 people. Under the Act







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we are in exactly the same position as all other business firms, and they are not mentioned in the Income Tax Act. Every company is entitled to pay patronage dividends to their clients if they serve notice they intend to do it, and we have chosen to pay part in cash, and part of this has been kept in reserve and credited to the member. All companies can do the same thing if they want to give a patronage dividend. When we get through we are forced to pay income tax of 3% on capital used, which is in excess of \$1 million, and we pay 48% of that. That is not an expense. It is taxable in the Act.

Q. But, in figuring out what your owners, the members of the Saskatchewan Wheat Pool earn, you take off that 48% of one million, do you not, before you make the calculation as to what they earn? You have to pay it.

A. We had to pay it if we paid patronage dividends, and we must make provision for that.

Q. And when you do that it is an expense of the way you are operating, is it not?

A. We view that as an income tax on profits which we are forced to pay under the Act up to just over \$1 million a year.

Q. Assume with me the Act was changed and instead of looking on patronage dividends as being exempt, that they were looked upon as profits in the nature of a dividend and you only paid after the application of income tax: now, what would you consider?





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Would you consider the income tax an expense -- something that would have to be covered?

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A. I wish you would repeat that; I am not too clear.

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Q. Well, we are not going to allow anybody to pay out -- we are going to change the Act so nobody can pay out patronage dividends and have provision so you only pay so much -- instead of the basis you have now they are going to change it. This is an assumption. So that everything that is paid over and above your operating expenses and the servicing of any debt that you have was going to be considered as profit and subject to tax before it could be dispersed in any way under those circumstances.

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A. What would we do?

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Q. Yes.

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A. I will tell you in words of one syllable.

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Q. You would reduce your price so you would not make it.

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A. We would lower the annual charge on storage so we did not have it and give it to the farmer, instead of distributing it afterwards.

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Q. And do you think in that way you are contributing to the tax burden of the country as a whole?

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A. That would be secondary to me as President of the Wheat Pool. If I can bring enough revenue to the farm members of the Wheat Pool so they will be taxable, I would be very well satisfied.

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I would sooner our members pay income tax personally and have enough income to do it rather than do it through an organization.

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Q. As a cooperator you have very definite views as to the application of income tax and I think you will agree that the provisions of the statute today recognize and give a break to the cooperator in respect of the way he can manage his business in respect of income tax? Would you agree they give them a break?

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A. No, they do not. We are not mentioned in the Act. Every business organization is in exactly the same position if they take advantage of it.

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Q. That is your answer to that?

A. Yes, sir.

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Q. Now, I want to come back to this question that I put to you before as to what could the western farmer object to -- what could he object to if the income tax liability of the railway was reduced by "x" in consideration of it carrying out the obligations set out in the Railway Act? What objection would he have?

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MR. MILLIKEN: I do not know whether Mr. Wesson knows the obligations.

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MR. SINCLAIR: Q. Well, one of the obligations would be that it would operate the railway, operate it efficiently and charge just as reasonable rates, and that the movement of grain to export positions in western Canada would be at the level that that structure has been at since 1925, and it must comply with filing certain reports with the government and the Board of Transport





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Commissioners; but, mainly, in regard to rates that the rates be just and reasonable and that the statutory level of grain rates on movements to export positions from all points on all lines of railways would remain the same. In consideration of the railways accepting those obligations, what objection, is my question to you -- and the reason for it -- would the western farmer have to having that recognized as a tax liability?

A. I cannot answer that, Mr. Chairman, by saying that I think I will agree or disagree, because in the first place it has not yet been proven to the satisfaction of the farmers in the west that these Crow's Nest rates are not compensatory.

Q. Let us assume that.

A. That has not been proven.

Q. Let us assume it has.

A. Well, before you start assuming, let me finish answering the question. That being the case, if you ask me would he agree, that if the CPR are excused from paying a number of million dollars income tax in lieu of not raising the freight rates -- well, the answer of the average farmer will be, "I do not see any connection", because they have not proven they are losing money in the first place. So, I do not see you can get an answer till you have proven the rates are non-compensatory.

Q. Let us assume that is proven just so we can proceed here -- that it is proven. Assume it is proven and it is found these grain rates are not at a







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proper level, not remunerative to the railways, and they are not in a just and reasonable level -- assume that: then, what objection would the farmer have if in light of that, and if the railways continued to accept the obligations of moving the grain to export positions on the Crow's Nest basis, what objection would there be to having a lower level of income tax being applicable to the railway?

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A. Well, I am only answering for myself, and what I think the western farmer would say is, he would say the Crow's Nest Pass rates are based on an agreement which was in lieu of certain things the CPR got at the turn of the century: 25 million acres of land and all the mineral and oil rights; certain millions of dollars for building the railway in Kootenay, and what they got for Rossland and the Trail, and the continued revenue since. The average farmer will say that if they are still taking revenue it is a deal and we are entitled to the rates. That is his first answer.

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The next question as to whether they would object if you got your income tax to the government reduced, I do not think he will care. I do not think the average farmer cares whether you pay 10 million, 20 million or 50 million, but I think you have disclosed something here today our farmers did not know anything about. Using your own figures of \$20 million, the average farmer is now going to say that if the CPR is making enough profits to pay income tax of \$20 million





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why do they want increases in the Crow's Nest Pass rates,  
and why do they want to keep shutting off the passenger  
trains so we cannot travel when we want to.

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Q. Would they rather be in the position of  
some other railways of losing \$50 million, \$60 million  
or \$70 million -- would they rather have the Canadian  
Pacific in that position where it was losing -- you  
pick the figure -- \$50 million, \$60 million or \$70  
million?

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A. No, I think the ~~average~~ farmer would  
like to see every business organization break even and  
pay a little income tax, including themselves, which they  
cannot do today. They do not want anybody operating at  
a loss.

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Q. And they do not want them doing anything  
at a loss?

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A. That is right.

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Q. There was just one final question I  
wish to put to you, and you will pardon me for asking  
this, I am sure. It is in paragraph 123, and here is  
what you say: you talk about what is happened, and  
you ask the question, "did it"-- and I am going to put  
in, "did 'faint heart' ... instead of "it". Do you  
see where I am reading from -- the fourth line:

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"Did faint heart create the Dominion of  
Canada, build the Canadian Pacific Railway,  
settle the Prairie west, develop one of the  
most prosperous economies in the world?"

I have paraphrased that, and I am going to ask







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you to tell the Commission this. Do you, Mr. Wesson, believe that the prairie west would be settled, that the economy of Canada would be more prosperous if industry in the economy were nationalized instead of having developed under the free enterprise system?

A. Of course, I think it is a different thing altogether. I thought you were going to deal with the question about the reasons why this was done. One reason is because I am in Canada myself. When I came here I did not have a faint heart. I came here to make this my home and settle here, and I have produced a lot of wealth for the Dominion of Canada -- helped to.

You raised the other question: you are dealing now with, I presume, socialism and free enterprise. I would take the view that there are certain reasons why railways are nationalized in New Zealand, why they are nationalized in each state in Australia; there are reasons why the railways are nationalized along with all other transportation in the United Kingdom. There was a reason why the Canadian Northern and the Grand Trunk Pacific and others were nationalized many years ago -- because they were in a state of bankruptcy. That is why they were nationalized.

I have learned something today that I did not know before about this enormous income tax the CPR pays, because all the information we could get from press reports of these hearings was that the CPR was getting into the same position as the CNR at the time





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2 it was nationalized. That being the case, in the interests  
3 of national service to the Dominion of Canada, with  
4 proper integration, we took the view that the better  
5 way to do it was to nationalize the CPR in one joint  
6 organization with the Canadian National at the present  
7 time. Pardon me, but I have not discussed it with  
8 my colleagues but I am going to say it: in view of all  
9 the money you are making it may be not a bad idea for  
10 you to take over the CNR and absorb their deficit.

11 Q. Thank you for that, Mr. Wesson, but  
12 you do not mind if I say on behalf of the Canadian  
13 Pacific that we have got a big enough job trying to  
14 run the Canadian Pacific Railway Company.

15 A. You mean you do not want to absolve the  
16 CNR deficit?

17 Q. No, it is just too big for the management,  
18 along with the one we already have.

19 Now, this is my last question on your views  
20 on nationalization. There are people in Saskatchewan  
21 who have different views than you? There are people  
22 in Saskatchewan -- spokesmen for the government who have  
23 taken quite an opposite position to you?

24 A. Oh, I would think so.

25 Q. And did you, for instance, have before  
26 you, and was it put before your meeting when these  
27 resolutions were passed -- and I am reading from page  
28 15352 of volume 90 of the transcript of these proceedings,  
29 and the witness is Dr. Britnell, and he says:

30 "Also, I might say if the CPR is, and heaven







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forbid, on the way to becoming a railway white elephant along with the other railways that were nationalized, then I personally would not want any part of nationalizing it. I would not want to do that at all".

Would you disagree with Dr. Britnell?

A. On the basis of all the things that have taken place in the United Kingdom and other countries, I think Dr. Britnell is working in reverse. He would say by implication he wants you to nationalize as long as you are making a profit, but if you are not he does not want to do it. I would not agree with that.

Q. You do not?

A. No.

Q. You take it the opposite way?

A. Yes.

Q. So, the way for the Canadian Pacific not to be nationalized is to immediately start losing money?

A. Well, I would not go that far.

Q. Thank you very much, Mr. Wesson, and I do say this to you because you and I have had opportunities to chat before and I think we have agreed on some things and disagreed on some things, but I do know for many years, Mr. Wesson, you have represented the Saskatchewan Wheat Pool in many, many conferences and in many areas, and I think that





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the western Canadian farmer has never had a more  
assiduous champion than the man who has stood up,  
wherever he may have been, better than yourself.

A. Thank you very much, sir.

--- A short recess ---







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THE CHAIRMAN: Order, please.

BY COMMISSIONER ANSCOMB:

Q. Well, Mr. Wesson, you have so disturbed my piece of mind that I would just like to say a word or two to you. In the first place, Mr. Wesson, my colleague tells me that you farm in Maidstone?

A. That is right.

Q. I happen come from Maidstone in Kent, so we should be chums, anyway.

A. That is right.

Q. You have now stated, having seen that the CPR made some profit, that you think they should take over the CNR?

A. I did not say that.

Q. You say you did not say it. Well, I thought you did, and I will look for it in the transcript. Anyway, I want to have a chat with you about these twenty millions of dollars, because I think it is quite disturbing. And I think if your farmer friends had known about it you would not have placed this page and a half of resolutions asking for socialism.

A. We would not call that socialism.

Q. Not the nationalizing of the CPR?

A. No.

Q. What would it be, then?

A. Well, if it is socialism, then it is extant in most countries of the world. I have a record here. This is from the Encyclopedia Britanica..





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Q. Well, you will pardon me for interrupting you, but you and I would not disagree that that does not say they are right, you know.

A. Well -- if you would let me get through, Mr. Anscomb -- it gives the story about the development of all the British Railway passenger systems through the years, and what happened in London with their Pickford Limited and Carter Patterson. I am sure you know them well?

Q. Yes.

A. And what happened in 1939, and the War Measures Act. And then, in 1947 the whole move was nationalized. All I have to say is that it was only nationalized for one reason: because private enterprise could not make a profit.

And if it is socialism, sir, then there has been a Conservative Government in power in London for the last eight years, and why did they not change it and put it back to free enterprise? It is as necessary for the economy of the country as it is in Australia and New Zealand.

Q. If I wanted to get into an argument with you, Mr. Wesson, now, I could, but our Chairman here does not allow us to do that --

A. I don't think he should have that apply to two Englishmen!

Q. If I was to argue with you, I might ask you why did England nationalize steel, and why did a Tory Government ~~not~~ de-nationalize it? I want to get firm with







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2 you about this \$20 million dollars.

3 A. Because steel -- I can answer that question,  
4 Mr. Anscomb, by saying the steel in the United Kingdom  
5 and private enterprise -- I know something about them, as  
6 a boy -- can make huge profits under certain conditions,  
7 and railway operations cannot. And that is why it is.

8 Q. You are not against profits?

9 A. No, sir. Not at all.

10 Q. You said you did not want any one to operate  
11 without a profit?

12 A. That is right, especially the farmer.

13 Q. No, no, I think the farmer should make a  
14 profit. If he cannot, he should do something else. But  
15 I want to get this \$20 million dollars clear. I think  
16 it is pretty bad; the man on the street does not understand  
17 it. "Look at those rascals; they made \$20 million dollars  
18 profit". As a matter of fact, to pay \$20 million dollars,  
19 they must have made \$40 million dollars?

20 A. Yes.

21 Q. For the fifty per cent taxes?

22 A. Yes.

23 Q. Do you think that was an excessive profit  
24 for them to make?

25 A. No. But the score, I say, varies, whether  
26 it is big or small. I should not think it would be very  
27 big; and, as I point out, our people, not knowing anything  
28 about this, they will never understand. Now, why does the  
29 CPR want to increase, double, the Crow's Nest Pass Rates,  
30 when they are paying income tax of \$20 million dollars a





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2 year in taxes? They will never understand it.

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4 Q. Let us assume that the amount -- I do not  
5 know what it is -- they say they are losing somewhere  
6 around \$30 or \$35 millions a year on Crow. Let us assume  
7 they did not increase it at all, and did not make that  
8 \$20 millions; you are not going to be satisfied with them  
9 operating at no profit at all, are you? That is what  
10 would happen.

11

12 A. I am not sure that I get your point clear --  
13 the connection between the Crow's Nest Agreement.

14

15 Q. You say that if they can make \$20 million  
16 a year, they should reduce their rates: this 142%. If they  
17 did that, they obviously would make nothing. You would not  
18 want a great national interest to do that?

19

20 A. We are not asking for the Crow's Nest Pass  
21 Rates to be reduced. We are protesting against them being  
22 increased.

23

24 Q. You said they should reduce their rates some  
25 of this 142% that it has had to go up. All I am trying to  
26 point out -- I am not asking this for the CPR because they  
27 can look after themselves -- what I want to get clear is  
28 the point that even if they made this \$20 million dollars  
29 net, and that is the figure that Mr. Sinclair was talking  
30 about, net, when he said \$20 million in income tax, on a  
billion, four hundred million dollars; that is pretty small,  
isn't it?

31

32 A. Oh, yes; not very much.

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34 Q. Totally inadequate, isn't it, for an ordinary  
35 running business. And there is an argument even in this.







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2 Commission, or has been on the floor here, as to whether  
3 it is a public utility or whether it is not. You may  
4 have your views on this, and I have mine on that, too.  
5 The fact remains that you said, and I want it clear, when  
6 Mr. Sinclair spoke to you about it, you said -- and I  
7 am glad you did it and I didn't; and now that you are here  
8 and we are so chummy I will bring it up -- you said that  
9 about this CPR taking the CNR over.

10 A. Let us make that clear. I would like the  
11 record read back to see what I actually said.

12 Q. It is a good thing you will be in Saskatchewan  
13 by that time;

14 Now, this \$42 million dollars. Thirty-six  
15 per cent or something went to the bankers. That may be  
16 perfectly true. The point is that when anybody says that  
17 any place -- that the bankers squeeze \$15 million out of  
18 that -- well, the bankers are only getting the interest  
19 on the money that you borrowed, or your people borrowed?

20 A. Yes, but I think I should state the reasons  
21 why I clarified that in the statement itself. It talks  
22 about \$42 million under the Wheat Reserves Act to pay  
23 storage. It is not storage; it is storage and interest.

24 There are so many people today, even Members of  
25 Parliament, who think that this is a hand-out to the  
26 elevator companies to save money for the farmers. All I  
27 am saying is 36% of that is bank interest which the  
28 elevator companies first pay to the banks and then we get  
29 it back from the Wheat Board.

30 Q. But you paid it to the banks because you





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2 borrowed their assets?

3 A. That is right.

4 Q. I want to ask you this: you said this  
5 morning -- and I cannot repeat it carefully because the  
6 transcript is not here -- but you gave instances, a few  
7 of them, and I think a very sensible one, as a matter of  
8 fact; (although, if it is analysed I don't think there  
9 is much in it). You said that the railway today would  
10 carry perhaps twice as much or three times as much grain  
11 so then the cost of movement should be down?

12 A. Per unit.

13 Q. Yes, the cost per unit should be down.

14 Same thing.

15 Now, I think you may be right on that argument  
16 -- on the theory of that argument.

17 Well, now, will you tell me -- and I can take  
18 you back: you came here in 1907 and I came here in 1911,  
19 and in those years around there it was necessary for you  
20 people to bring in from eastern and Western Canada hoards  
21 of young people like myself to harvest your grain. I  
22 do not know what it cost you, but I know hundreds that went.

23 Since then, they have modernized. Massey-Harris  
24 and Cockshutt today do your harvesting for you, and  
25 have not the costs of production of grain gone down in  
26 that period, just the same as you theorize that the cost  
27 of rail carrying has gone down? I am not saying it has;  
28 I am asking you.

29 A. I think you are right, in a way, but you  
30 must keep this in mind: let us illustrate this by a







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2 combine. It costs over \$8,000 for a twelve-foot pusher,  
3 which is more than the average quarter section of land  
4 would cost. It is true, then, you can harvest with one  
5 man on the truck and one on the combine, instead of the  
6 old threshing crew of 18 or 20. I am sure Mr. Platt,  
7 sitting over there, would know more than I do about the  
8 cost of an average two or three section farm today with  
9 this capital investment in modern machinery. In the old  
10 days, you used to come West to help us; we would pay you  
11 \$2.00 to help bring in the harvest, and you stayed there,  
12 and ate lots of food --

13 Q. You did not pay me ten cents?

14 A. You didn't work for me, or I would have paid  
15 you \$2.00 a day, Mr. Anscomb.

16 Q. Well, you gave me some good food and I slept  
17 in the loft -- and it was all right.

18 A. The costs of wages, and the methods of  
19 harvesting in those days, with horses and feeding your own,  
20 naturally was more per bushel unit, if you eliminated the  
21 capital cost which we have today.

22 Q. The capital cost which has allowed you to  
23 produce much cheaper?

24 A. That is right.

25 Q. Don't answer this if you don't want to, but  
26 what I would like to know is what the cost of production  
27 of grain -- of wheat, as you express it -- would be on  
28 a completely modernized good-sized farm in an area where  
29 the land is perfect for the purpose?

30 A. You mean the per unit cost? I have not got





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that material here, but I think your colleague, Mr. Platt, has it.

You have some surveys, Mr. Platt, as to the cost of producing wheat on different-sized farms?

COMMISSIONER PLATT: There is material available. All of it is very subject to opinion; the cost of producing wheat is at least as difficult as the cost of moving it.

MR. SINCLAIR: It might be a lot more.

MR. FRAWLEY: You use multiple regression to get it.

COMMISSIONER ANSCOMB: Q. You see, Mr. Wesson, I don't want to embarrass my colleague along there, because he has already offered me a partnership!

A. I have just been handed a note here. There has been in the Kindersley Review surveys on a number of farms as to the actual cost per unit, and it varies from sixty cents a bushel cost up to as high as \$10.00 a bushel in that one survey. And Kindersley is excellent land. You will agree to that, Mr. Platt.

Q. Which would be sixty cents?

A. The lowest would be sixty cents.

Q. Which would be in the sixty cent bracket?

A. No, in the same areas some were as high as \$10.00 a bushel.

Q. That would be a fellow doing it in a pot on the windowsill.

A. He has some damage to his grain.

Q. I live on a rock, and it would cost me







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about that on the rock.

I want to thank you and, Mr. Chairman, we should send this friend of ours home. He is going back to your country; and he has done me a great service, and I am going to call on him.





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2 BY COMMISSIONER MANN:

3 Q. Mr. Wesson, I just have one question and  
4 that relates to paragraph 97 of your submission where  
5 you quote -- you will probably remember this -- you  
6 quote a statement made by Mr. Justice J. D. Kearney  
7 who was then Chief Commissioner of the Board of  
8 Transport Commissioners who said:

9 "It may be said there is no exact point  
10 at which a freight rate can be considered  
11 to be just and reasonable; it is largely  
12 a matter of opinion based on experience."

13 Now, my question simply is this: whose opinion and  
14 whose experience?

15 A. Well, I could not answer that. That is  
16 a quotation from Mr. Kearney, the Chief Commissioner,  
17 dealing with this question because, as I understand  
18 it, in reading the newspaper reports when these  
19 hearings took place that the railway companies put  
20 up a case for increases on what they called a fair  
21 and real basis under certain conditions for certain  
22 reasons. May I say this, in view of the possibility  
23 of a strike coming on it is obvious to me that, all  
24 things being equal, if an increased labour cost amounts  
25 to \$50 million or \$60 million then the railway com-  
26 panies have to get the revenue to pay it. I would  
27 say that is just and reasonable but where they get it  
28 from there may be a difference of opinion.

29 Q. You see, the reason I asked you that  
30 is that it seemed to me that you quote this statement







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of Judge Kearney with approval and in the context of  
your paragraph you say:

"The very question of what is in fact  
'just and reasonable rates' is itself  
open to dispute."

I gathered from that when you quoted Mr. Kearney that  
you were in agreement with his sentiment as expressed  
in the quotation?

A. I would say that is right.

Q. Well, then, would I be right, Mr. Wesson,  
in assuming that you would say then that there is no  
mechanical formula which you can apply to the determina-  
tion of a just and reasonable rate? Would that be  
your opinion?

A. Well, of course, there is another factor  
that I do not need to tell you about but that is the  
competitive factor for trucks and that is the kind of  
thing which must have a board that rules, where a railway  
company may argue that a rate is just and reasonable  
and then finds out it is a competitive rate and they  
cannot apply it. We find that in the central pro-  
vinces but it does not apply in the west, I do not  
think.

COMMISSIONER MANN: Thank you very much.

COMMISSIONER PLATT: Mr. Wesson, I do not  
have any questions to ask you today. However, I want  
to point out that although Mr. Wesson is shedding some  
of his duties with the Saskatchewan Wheat Pool he is  
by no means retiring. He is preparing to go ahead with





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2 other duties he has to perform and we will be seeing  
3 him around as time goes on. I have enjoyed your  
4 presentation, Mr. Wesson.

5 THE WITNESS: Thank you very much.

6 THE CHAIRMAN: Re-examination?

7 MR. CUMMING: No, thank you.

8 THE CHAIRMAN: Thank you, Mr. Wesson, and I  
9 personally thank you and wish you all that is good,  
10 and I will see you anon.

11 MR. CUMMING: All that remains is the schedule  
12 for next week. The Commission will sit in this court  
13 room on Monday to hear the submission of Mr. Ferguson  
14 Browne. It has been arranged that Dr. Borts will  
15 return to Ottawa next week and will be cross-examined  
16 on Wednesday, Thursday and Friday.

17 The Commission understands that the cost  
18 conference has made some appreciable progress and  
19 expects to receive Dr. Armstrong's report on it forth-  
20 with. The Commission will make available to counsel  
21 as quickly as possible the points of disagreement in  
22 respect of which cross-examination will be conducted  
23 in accordance with its ruling of June 10 (page 14071,  
24 Volume 80).

25 MR. SINCLAIR: We may be able to finish  
26 with Dr. Borts in less than three days; that is the  
27 maximum.

28 THE CHAIRMAN: We will adjourn now until  
29 Monday morning.

30 ---Adjournment.















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